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## UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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#### FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934 7.5. 4-1-04

For the month of April, 2004

Commission File Number: 1-14362

#### GUANGSHEN RAILWAY COMPANY LIMITED

(Translation of registrant's name into English)

PROCESSED

APR 29 2004

THOMSON

No. 1052 Heping Road, Shenzhen People's Republic of China 518010 (Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:
Form 20-F <u>X</u> Form 40-F
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): $\underline{X}$
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):
Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No $\underline{X}$
(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82)

#### **EXHIBITS**

#### Exhibit Number Page

1.1 Annual Report to the shareholders for the fiscal year ended December 31, 2003

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#### FORWARD-LOOKING STATEMENTS

Certain information contained in this Form 6-K are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These forward-looking statements can be identified by the use of words or phrases such as "is expected to", "will", "is anticipated", "plan to", "estimate", "believe," "may," "intend," "should" or similar expressions, or the negative forms of these words, phrases or expressions, or by discussions of strategy. Such statements are subject to risks, uncertainties and other factors that could cause the registrant's actual results to differ materially from its historical results and those presently anticipated or projected. A discussion of the most significant risks, uncertainties and other factors is included in the annual report on Form 20-F that the registrant files with the Commission each year.

You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date on which such statements were made. Among the factors that could cause the registrant's actual results in the future to differ materially from any opinions or statements expressed with respect to future periods include adverse effects on the economy in the Pearl River Delta region, increased competition from other means of transportation, failure or delay in implementation of the development projects, reoccurrence of Severe Acute Respiratory Syndrome in Hong Kong or China, foreign currency fluctuations and other factors beyond the registrant's control.

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Guangshen Railway Company Limited

Dated: April 28, 2004

Bv:

Name: Guo Xiang Dong

Title: Directorate Secretary

Directorate Secretariat Supervisor

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#### COMPANY PROFILE

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On March 6, 1996, Guangshen Railway Company Limited (the "Company") was registered and established in Shenzhen, the People's Republic of China (the "PRC") in accordance with the Company Law of the PRC.

In May 1996, the H shares ("H Shares") and American Depositary Shares ("ADSs") issued by the Company were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Exchange") and the New York Stock Exchange, Inc. ("New York Stock Exchange"), respectively. The Company is currently the only enterprise engaging in the PRC railway industry with its shares listed overseas.

The Company is mainly engaged in railway passenger and freight transportation businesses between Guangzhou and Shenzhen and certain long-distance passenger transportation services. The Company also cooperates with Kowloon-Canton Railway Corporation ("KCR") in Hong Kong in operating the Hong Kong through train passenger service. The Company provides integrated services relating to railway facilities and technology. The Company is also engaged in commercial trading and other businesses that are consistent with its overall business strategy.

The Guangshen Railway, which is operated solely and independently by the Company, is 147 kilometres long. It traverses the Pearl River Delta in Guangdong Province, a region with rapid economic growth. The Guangshen Railway is strategically located and links with major railway networks in China, including the Beijing-Guangzhou, Beijing-Jiujiang, Sanshui-Maoming, Pinghu-Nantou, and Pinghu-Yantian lines, as well as to the Kowloon-Canton Railway in Hong Kong. It is the only railway channel linking Hong Kong with inland China. It is an important component of the transportation network of the southern China.

The Guangshen Railway operated by the Company is currently one of the most modern railways in the PRC. It is equipped with the state-of-the-art equipment and facilities. Several aspects of its technical performance have reached or are moving towards international standard. It is the first railway line in the PRC that operates high-speed passenger trains with a speed of up to 200 kilometres per hour.

The Guangshen Railway is part of the PRC's railway line that closely linked with regional ports. It connects Guangzhou Port in Guangzhou, Yantian Port, Shekou Port, Chiwan Port, and Mawan Port in Shenzhen. The Company is well-equipped with various freight facilities and can efficiently transport full load cargo, single load cargo, containers, bulky and overweight cargo, dangerous cargo, fresh and live cargo, and oversized cargo. The Company enjoys competitive advantages in transporting freight for medium to long distances in the PRC.

The Guangshen Railway is one of the railways in the PRC with better overall performance. The foothold of service of the Company covers Guangzhou, Zhuhai, Zhongshan, Foshan, Dongguan, Shenzhen and Hong Kong. The Company believes that, with further development of cooperation of the regional economy between Hong Kong and Guangdong Province and continuous improvement of the Company in its transportation services, the Company will have promising development prospects.

#### FINANCIAL HIGHLIGHTS

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#### AUDITED CONSOLIDATED INCOME STATEMENT

For the years ended December 31,

(Expressed in thousands of Renminbi ("RMB"), except for per share and per ADS data)

	2003	2002	2001	2000	1999
Revenues from railway busin	angan s				
Passenger	1,754,223	1,846,599	1,426,010	1,237,289	1,114,046
Freight	514,794	514,036	567,276	549,694	537,970
			307,270	3.7,07	
Sub-total	2,269,017	2,360,635	1,993,286	1,786,983	1,652,016
Revenues from					
other businesses	144,370	156,893	160,306	193,415	166,800
Total revenues	2,413,387	2,517,528	2,153,592	1,980,398	1,818,816
Total operating expenses	(1,850,674)	(1,895,031)	(1,599,481)	(1,460,993)	(1,340,896)
Destis form and time	E/2 712	600 407	<i>EEA</i> 111	510 405	477 020
Profit from operations Profit before tax	562,713 605,169	622,497 661,587	554,111 631,362	519,405 590,687	477,920 579,868
Profit before tax	005,109	001,387	031,302	390,087	3/9,808
Profit from ordinary					
activities after tax	511,730	557,196	531,996	491,307	529,639
Minority interests	32	(113)	1,499	782	35
Profit attributable to shareho	lders 511,762	557,083	533,495	492,089	529,674
Econings nor shore					
Earnings per share  — Basic	RMB0.12	RMB0.13	RMB0.12	RMB0.11	RMB0.12
- Diluted	N/A	N/A	N/A	N/A	N/A
— Diluico	IVA	IVA	IVA	IVA	N/A
Earnings per ADS	RMB5.90	RMB6.42	RMB6.15	RMB5.68	RMB6.11

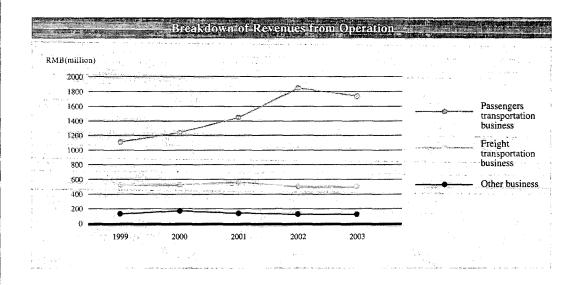
#### FINANCIAL HIGHLIGHTS

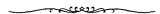
#### ASSET SUMMARY (AUDITED)

As of December 31,

(Expressed in thousands of RMB, except for per share data)

	2003	2002	2001	2000	1999
Total Assets	11,073,953	11,257,594	10,997,216	10,917,564	10,970,496
Total Liabilies	699,237	1,001,866	860,976	879,793	905,912
Net Total Assets	10,322,358	10,244,151	10,120,623	10,020,683	10,048,860
Net Assets per share	RMB2.38	RMB2.36	RMB2.33	RMB2.31	RMB2.32







Mr. Wu Junguang Chairman of the Board

Dear Shareholders,

I am pleased to present the audited operating results of the Company and its subsidiaries for the year ended December 31, 2003.

#### **OPERATING RESULTS**

In the first half of 2003, our core business of passenger and freight transportation declined as a result of the outbreak of Severe Acute Respiratory Syndrome

("SARS") in some provinces of Chinese mainland and in Hong Kong. However, in the second half of 2003, the Company took efforts to increase transportation volume to compensate for its decreased business during the SARS period. The Company also focused on costs control, market development, expansion of transportation capacity, improvement in transportation efficiency and service quality. All these measures helped to achieve a recovery in the operating results of the Company. For the year ended December 31, 2003, the total revenues of the Company and its subsidiaries were RMB2,413.4 million, profit attributable to shareholders was RMB511.8 million, and earnings per share were RMB0.12.

Passenger transportation business is the main transportation business of the Company. In 2003, the Company was in a very difficult market situation for its passenger transportation business due to the impact from the SARS epidemic. The result of its passenger transportation business declined over the SARS period. However, the Company attended to the prevention of SARS as well as the improvement of services and marketing efforts. The Company operated more trains and increased the frequency of stopping at intermediary stations to attract more passengers. The Company focused on the integrated refurbishment of its passenger stations, such as Guangzhou East Station, Shenzhen Station and Dongguan Station, to improve its public image. The Company expanded its ticket network by resuming and opening more ticket offices at Guangzhou Station and opening ticket agents at stations along the Guangzhou — Shenzhen route. It also made slight adjustments to its fares during peak periods in response to market changes. The Company took measures to continue developing its market potential in order to reduce the negative impact from SARS. In 2003, the total number of passengers of the Company was 37.861 million, representing a decrease of 4.8% when compared to that of last year; passenger transportation revenues were RMB1,754.2 million, representing a decrease of 5.0% from that of 2002.

During 2003, despite the impact from SARS on the freight transportation business and from intense competition from other means of transportation such as highway and water transportation, the Company improved its marketing efforts on its freight transportation business and enhanced its relationship with ports, mines and corporate entities to maintain existing large volume freight and capturing new freight transportation business. The Company transported a total of 27.584 million tonnes of freight, representing an increase of 1,000 tonnes when compared to that of 2002. The freight transportation revenues in 2003 were RMB514.8 million, representing a slight increase of 0.1% when compared to that of 2002.

Revenues from other businesses of the Company were RMB144.4 million in 2003, representing a decrease of 8.0% when compared with RMB156.9 million in 2002.

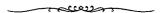
#### CORPORATE GOVERNANCE

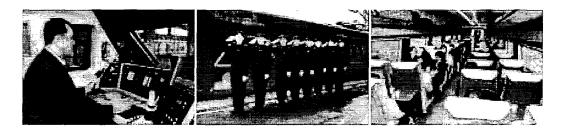
In 2003, in order to improve its operations and carry out budget management, the Company established and implemented the Measures for Assessments of Operating Responsibilities and Targets of the Company. The Company adjusted the structure of its core transportation businesses, and improved the operations of its departments to enhance management efficiency. It also established a management and regulatory system and strengthened its foundamental management. The Company established a Disclosure Committee and formulated the "Measures and Procedures for Controlling the Company's Disclosure" (《公司披露控制措施和程序》) to improve its information disclosure.

#### **FUTURE PROSPECTS**

2004 is an important year for the railway industry in the PRC to implement the great-leap-forward development strategies. The Company strives to develop itself as a transportation enterprise with the highest standard in overall performance, technology and management in the PRC railway industry by aiming at developing itself as a leading intercity transportation enterprise by international standards, by adhering to its goal of "safety, quality, efficiency, development and stability", by focusing on developing advanced transportation productivity, by continuing to make railway transportation its core business and to diversify into other areas and by continuously promoting innovations on management, system and technology. It also plans to implement the following development projects in 2004:

• It will increase the transportation capacity of Guangshen Railway in all aspects. To accommodate future transportation growth and market competition and promote the growth of its core business of





passenger and freight transportation, the Company plans to increase the transportation capacity of Guangshen Railway in all aspects, including the continuous construction of the fourth line between Guangzhou and Shenzhen. It has been focusing on the construction of a technical support and maintenance depot for passenger vehicles at Northern Shenzhen Station, an auxiliary station in Buji for long-distance passenger trains and a connecting track for passenger trains from Pinghu to Shenzhen.

- In relation to its passenger transportation business, the Company plans to (1) further improve its "Asfrequent-as-buses" Train Project of the Guangzhou-Shenzhen high-speed passenger trains by increasing the frequency of its high-speed train services and appropriately adjusting the stops at intermediary stations according to passenger demand under the "Fifth Great Speed Up Project in China Railways". This will help meeting passenger demand for high-speed trains along the routes and increase the Company's market share; (2) focus on the research on the introduction of advanced electric trains from international markets to further increase transportation capacity of its "As-frequent-as-buses" Train Project for the Guangzhou-Shenzhen high-speed passenger trains; (3) continue the integrated refurbishment of its stations, research on the introduction of the IC Card Ticketing System, improve its passenger service facilities and enhance its service quality; (4) continue to focus on the expansion of its Hong Kong through-train business and to support increasing passenger flows between Guangdong Province and Hong Kong. The Company had commenced the operations of two pairs of Hong Kong through-trains on April 18, 2004.
- In relation to its freight transportation business, the Company will: (1) intensify marketing efforts and enhance cooperation with key ports, mines, factories and corporate entities to maintain existing demand and capture new freight transportation business; (2) further improve its service quality and offer transportation services of higher quality and better efficiency to consignors; (3) strive for commencing the operation of "5 fixed" (fixed locations, fixed line, fixed time, fixed price and fixed schedule) special freight trains to the southwest.
- In respect of the use of capital, in order to achieve better development, the Company will continue to closely review its working capital and aim to achieve lower-cost expansion through equity investments, mergers and acquisitions in the future when appropriate opportunities arise.



In 2004, with the accelerated cooperation in regional economy of "Great Pearl River Delta" and "Extensive Pearl River Delta" and the implementation of Mainland and Hong Kong Closer Economic Partnership Arrangement ("CEPA"), the economy in the Company's service territory is expected to experience a rapid and continuous growth. The Company will actively exploit room for future development by capaturing chances of growing economy as well as utilizing business opportunities such as the "Fifth Great Speed Up in Chinese Railways", the "Relaxed individual Travel" to Hong Kong and Macao Special Administrative Region, the commencement of operation of the Shenzhen Subway and improvement in the Guangzhou Subway. It is expected that the passenger and freight transportation businesses of the Company will have a good development trend in 2004.

In 2003, in light of the impact of the outbreak of SARS, the Company achieved relatively good results. The achievements were attributable to the enthusiasm and diligence of our employees as well as to the support and confidence of the shareholders of the Company. I would like to take this opportunity to express my highest regards and my sincere gratitude to all of them. I believe that the Company will continue to strive for better results for its shareholders in 2004.

Wu Junguang

Chairman of the Board

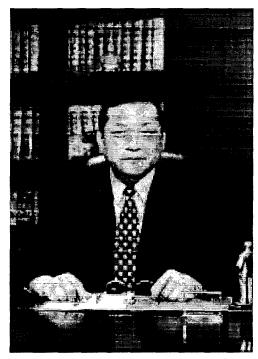
Shenzhen, the PRC April 20, 2004

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This discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company and the accompanying notes appearing in its 2003 annual report. The consolidated results of the Company and its subsidiaries for the year ended December 31, 2003 were prepared in accordance with International Financial Reporting Standards, which differ in certain material respects from PRC generally accepted accounting principle and United States generally accepted accounting principle (see "Supplementary Financial Information" for a discussion of these differences.)

#### 1. BUSINESS OVERVIEW

During the first half of 2003, each business segment of the Company was affected by the outbreak of SARS in some provinces of Chinese mainland and in Hong Kong area to a relatively large extent. The total revenues of



Mr. Feng Qifu Director and General Manager

the Company during the first half of 2003 decreased by 14.3% when compared to that of the same period of 2002. With the effective control of the SARS epidemic, the PRC government implemented a series of policies for recovering the economy. The Company also carried out various marketing measures to increase its transportation volume to compensate for decreased business, which helped to reduce the negative influence brought about by SARS. Although the total revenues of the Company and profits attributable to shareholders in 2003 decreased when compared to those of 2002, the management and the staff strived hard to complete the operating target approved by the Board of Directors of the Company.

In 2003, the total revenues of the Company were RMB2,413.4 million, representing a decrease of 4.1% from RMB2,517.5 million in 2002. In 2003, the revenues of the Company from passenger transportation service, freight transportation service and other businesses accounted for 72.7%, 21.3% and 6.0% of the total revenues of the Company in 2003, respectively. In 2003, profit attributable to shareholders of the Company was RMB511.8 million, representing a decrease of 8.1% from RMB557.1 million in 2002.

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#### 2. RESULTS ANALYSIS

#### Passenger Transportation

The passenger transportation business was the most important business of the Company. As of December 31, 2003, the Company operated 63 pairs of high-speed passenger trains between Guangzhou and Shenzhen (nine of which are standby), three pairs of regular-speed passenger trains between Guangzhou and Shenzhen, 11 pairs of Hong Kong through-trains\* and 35 pairs of long-distance passenger trains according to its train schedule everyday.

\* 11 pairs of Hong Kong through-trains include nine pairs of Hong Kong through-trains, one pair of through-trains between Zhaoqing and Kowloon, one pair of through-trains between Beijing and Kowloon or between Shanghai and Kowloon. (The Hong Kong through-trains between Beijing and Kowloon and the through-trains between Shanghai and Kowloon are accounted for as one pair of through-trains due to their operations on alternate day.)

In 2003, the Company's total number of passengers was 37.861 million, representing a decrease of 4.8% from 39.776 million in 2002; its revenue from passenger transportation was RMB1,754.2 million, representing a decrease of 5.0% from RMB1,846.6 million in 2002. In particular:

#### Guangzhou-Shenzhen trains

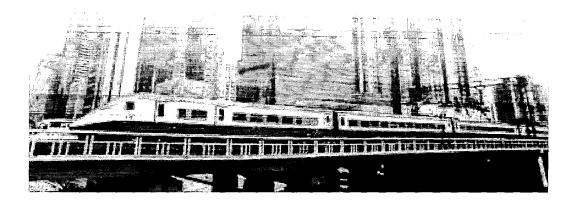
The Company's Guangzhou-Shenzhen trains consist of high-speed passenger trains and regularspeed passenger trains between Guangzhou and Shenzhen. The number of passengers travelling on the Company's Guangzhou-Shenzhen trains decreased by 7.6% from 17.345 million in 2002 to 16.027 million in 2003. The number of passengers travelling on the high-speed passenger trains between Guangzhou and Shenzhen decreased by 3.5% from 15.724 million in 2002 to 15.170 million in 2003; while the number of passengers travelling on the regularspeed passenger trains between Guangzhou and Shenzhen decreased by 47.1% from 1.621 million in 2002 to 0.857 million in 2003. The revenues from Guangzhou-Shenzhen trains declined by 8.3% from RMB974.1 million in 2002 to RMB893.3 million in 2003. The decrease in business volume of Guangzhou-Shenzhen trains was mainly due to: (1) the outbreak of SARS epidemic, especially during the period from the issue of travel warning for Guangdong Province by the World Health Organization on April 2, 2003 to the lift of the warning on May 23, 2003. The number of travellers decreased and resulted in the decrease in the passenger volume; (2) the saving of unnecessary consumption during the SARS period. The Company reduced the configuration of part of its trains and suspended the operation of several pairs of Guangzhen-Shenzhen trains. Such measures negative influenced the Company's passenger volume; (3) no upward adjustment to the ticket prices by the Company on Tomb Sweeping Day, Easter holiday and May 1 long holiday, which occurred during the SARS period. The revenues therefore decreased to a certain extent.

#### Hong Kong through-trains

The number of passengers travelling on the Hong Kong through-trains of the Company decreased by 9.2% from 2.219 million in 2002 to 2.015 million in 2003. Revenues from Hong Kong through-trains decreased by 5.4% from RMB333.2 million in 2002 to RMB315.2 million in 2003. The decrease in business volume of through-trains was mainly due to the influence from the SARS epidemic. Secondly, the around-the-clock service of Shenzhen Huanggang checkpoint since January 27, 2003 led to an increase in the number of coaches travelling between Guangzhou and Hong Kong through that checkpoint, which diverted some passengers from the Hong Kong through-trains.

#### • Long-distance trains

The number of passengers travelling on long-distance trains of the Company decreased by 1.9% from 20.212 million in 2002 to 19.819 million in 2003. The revenues from long-distance trains slightly increased by 1.2% from RMB539.4 million in 2002 to RMB545.7 million in 2003. The decrease in passenger volume was mainly due to the influence from the SARS epidemic. However, the operation of one pair of additional Huaihua-Shenzhen long-distance trains between Huaihua and Shenzhen, one pair of additional long-distance trains between Hankou and Shenzhen and one pair of additional long-distance trains between Zhangjiajie and Shenzhen West in May 2003 by other railway companies (administrations) offset the decrease of passenger volume caused by SARS to a certain extent, which caused the decrease of passengers travelling on Long-distance trains lower than the decrease of passengers travelling on Guangzhou-Shenzhen trains and the Hong Kong trough-trains. Moreover, the revenues from Long-distance trains in 2003 increased slightly when compared with that of the last year. This was due to the increased revenues from the network facilities caused by the operations of 3 pairs of additional Long-distance trains in 2003.



The table below illustrates the revenues from passenger transportation business and the volume of passengers for the year ended December 31, 2003 as compared to those of the same period last year:

		year ended nber 31,	Change in 2003 compared to 2002 Increase/
	2003	2002	(Decrease)
Revenues from passenger transportation			
(RMB thousands)	1,754,223	1,846,599	(5.0)%
—Guangzhou-Shenzhen trains	893,291	974,061	(8.3)%
—Hong Kong through-trains	315,205	333,151	(5.4)%
Long-distance trains	545,727	539,387	1.2%
Total number of passengers			
(thousand persons)	37,861	39,776	(4.8)%
-Guangzhou-Shenzhen trains	16,027	17,345	(7.6)%
-Hong Kong through-trains	2,015	2,219	(9.2)%
—Long-distance trains	19,819	20,212	(1.9)%
Revenue per passenger (RMB)	46.33	46.42	(0.2)%
—Guangzhou-Shenzhen trains	55.74	56.16	(0.7)%
—Hong Kong through-trains	156.43	150.14	4.2%
—Long-distance trains	27.54	26.69	3.2%
Total passenger-kilometers (millions)	3,295.5	3,453.2	(4.6)%
Revenue per passenger-kilometer (RMB)	0.53	0.53	_

#### Freight Transportation

Freight transportation is the core business of the Company. The total tonnage of freight transported by the Company in 2003 was 27.584 million tonnes, representating an increase of 1 thousand tonnes from 27.583 million tonnes in 2002. Revenues from freight



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transportation business were RMB514.8 million, representing a slight increase of 0.1% from RMB514.0 million in 2002. In particular:

#### Outbound freight

In 2003, the Company's outbound freight tonnage was 6.466 million tonnes, representing a decrease of 11% from 7.266 million tonnes in 2002. Outbound freight revenues were RMB85.40 million, representing a decrease of 9.4% from RMB94.26 million in 2002. The main reasons that caused the outbound freight tonnages decline in 2003 were: (1) the influence of SARS, the supply of some categories of goods (such as aero-fuel etc.) that accounts for large proportions of the Company's outbound freight declined; (2) the improving road and water transportation network and the increasing ports opening to outside world also reduced the freight formerly transported by railways; (3) the changes in freight transportation marketing measures, some high-charged freight chose road transportation just for saving time, which decreased the freight sources of railways. However, to offset the losses caused by SARS, the Company enhanced marketing efforts on its freight transportation business and offered discounts to certain major customers and some categories of freight to maintain and attract freight business. After the SARS epidemic, the economy of Chinese backland grew rapidly and the demands for energy and raw material increased in large quantity. Furthermore, the freight transported by the railway grew due to the increased charges for water transportation and road transportation. All of these factors offset the overall decrease of the Company's outbound freight business in 2003.

#### Inbound and pass-through freight

In 2003, the Company's inbound and pass-through freight tonnages were 21.118 million tonnes, representing an increase of 3.9% from 20.317 million tonnes in 2002; its inbound and pass-through freight revenues were RMB259.8 million, representing an increase of 4.7% from RMB248.1 million in 2002. Although the inbound and pass-through freight business of the Company was affected by SARS in 2003, the demands for railway transportation grew. This was mainly because the completion of the construction of the second railway track between Beijing and Jiujiang, which led to a recovery in the resumption of inbound and pass-through freight formerly affected by the construction, the increase in demand for energy and material resulted from the growth of the PRC economy, and decreased competition due to the increased charges for road and water transportation and a general increase in demand for railway transportation.

#### • Storage, loading and unloading and other miscellaneous items

In 2003, the Company's revenues from storage, loading and unloading and other miscellaneous items were RMB169.6 million, representing a decrease of 1.2% from RMB171.7 million in 2002. This was mainly due to the decrease of outbound freight, the discounts offered to certain customers and some categories of freight to enhance the competitiveness of the Company freight transportation business, and the reduced charges on storage, loading and unloading.

Set out below are the Company's revenues from its freight transportation business and the freight volume for the year ended December 31, 2003 as compared with that of the same period in the previous year:

		the year December 31,	Change in 2003 compared to 2002 Increase/
	2003	2002	(Decrease)
REVENUES FROM FREIGHT			
TRANSPORTATION  (RMB thousands)  — Revenues from outbound freight	514,794	514,036	0.1%
transportation  — Revenues from inbound and pass-through	85,401	94,263	(9.4)%
freight transportation  — Revenues from storage, loading and	259,809	248,104	4.7%
unloading and other miscellaneous items	169,584	171,669	(1.2)%
TOTAL TONNAGE (thousand tonnes)  — Outbound freight tonnage  — Inbound and pass-through freight tonnage	27,584 6,466 21,118	27,583 7,266 20,317	0% (11.0)% 3.9%
Revenue per tonne (RMB)	18.66	18.64	0.1%
Total tonne-kilometres (millions)	1,978.9	1,926.0	2.7%
Revenue per tonne-kilometre (RMB)	0.26	0.27	(3.7)%

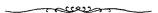
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#### Other Businesses

The Company's other businesses mainly consist of sales of goods and food, advertising and tourism services on board and in stations. Revenues from other businesses of the Company in 2003 were RMB144.4 million, representing a decrease of 8.0% from RMB156.9 million in 2002. The main reasons for such decrease were: (1) the decrease of passenger volume and the decline of consumptions of passengers on board and in stations caused by the SARS epidemic; (2) the decrease of revenues from leases and advertising resulted from the refurbishment of its passenger stations such as Guangzhou East Station, Shenzhen Station and Dongguan Station and the dismantlement of some shops and advertisements to improve the passenger's boarding conditions.

The table below sets forth the revenues of other businesses of the Company for the year ended December 31, 2003 compared with that of the same period in the previous year:

			Change in 2003
	For	the year ended	compared to
	D	ecember 31,	2002 Increase/
Category of Businesses	Category of Businesses 2003 2002		(Decrease)
	(RMB' thousands)	(RMB' thousands)	
On-board and station goods sales	38,156	40,977	(6.9)%
Station services	40,003	43,913	(8.9)%
Tourism, advertising and others	66,211	72,003	(8.0)%
Total	144,370	156,893	(8.0)%









#### 3. COST ANALYSIS

In 2003, the total operating expenses of the Company were RMB1,850.7 million, representing a decrease of 2.3% from RMB1,895.0 million in 2002.

#### Railway Operating Expenses

In 2003, the railway operating expenses of the Company were RMB1,708.3 million, representing a decrease of 1.6% from RMB1,735.3 million in 2002. In particular:

#### Labor and benefits

In 2003, labor and benefits expenses amounted to RMB347.6 million, representing a decrease of 7.0% from RMB373.8 million in 2002. This was mainly due to the decline of all types of operating results-based bonuses due to the reduction in railway transportation revenues of the Company caused by the SARS epidemic. The decrease such bonuses also led to a reduction in the overall level of welfare benefits.

#### Material and supplies

Material and supplies included materials, fuel, water and electricity consumption. In 2003, the Company's material and supplies expenses amounted to RMB217.0 million, representing an increase of 13.0% from RMB192.1 million in 2002. This was mainly due to: (1) the increase in the prices of diesel oil and other fuels used by locomotives, which was caused by the rise in average price of petroleum products; (2) the significant increase in consumption of water and electricity caused by the Company's installations of additional ventilation systems and disinfection equipments in its stations and on board and an increase in the frequency of cleaning and disinfecting of public areas every day during the SARS period; (3) the increased consumption of materials, water and electricity resulted from the additional operation of the Hong Kong through-trains and the high-speed passenger trains between Guangzhou and Shenzhen.

#### • Depreciation

Depreciation expenses of fixed assets decreased by 13.6% from RMB335.5 million in 2002 to RMB290.0 million in 2003, which was mainly due to the prolonged useful life of part of its fixed assets as a result of the improvement in its construction and maintenance technology. According to the research on the usage of the Company's fixed assets in past years and the popular way adopted by its international colleagues, the management and engineers of the Company re-estimated the useful life and the depreciation rate of part of its fixed assets, which decreased the depreciation of fixed assets in 2003.

#### Repair expenses (excluding materials and supplies)

Repair expenses decreased by 12.5% from RMB102.4 million in 2002 to RMB89.64 million in 2003. The main reasons were: (1) repair expenses for buildings declined in 2003; (2) with improved repair work capability — repair work of some locomotives and vehicles formerly outsourced to other factories was undertaken by the Company itself in 2003; (3) since most of the improvement work of passenger stations along the Guangzhou Shenzhen route had been completed in 2002, the related expenses declined in 2003.

#### • Equipment leases and services

The expenses on equipment leases and services mainly consist of the railway line usage fees, train hauling fees and train leasing fees paid to other railway administrations. In 2003, expenses on equipment leases and services of the Company amounted to RMB437.7 million, representing an increase of 0.9% from RMB433.9 million in 2002. This was mainly due to: (1) the additional operations of the Hong Kong through-trains and the high-special passenger trains between Guangzhou and Shenzhen in 2003, which resulted in an increase in the train healing fees directly; (2) the Company's use of more trucks owned by the MOR in 2003, which resulted in an increase in the leasing fees paid to the MOR.

#### • General and administration expenses

General and administration expenses on the Company's railway businesses increased by 8.8% from RMB123.8 million in 2002 to RMB134.7 million in 2003. This was mainly due to the increase in pensions. The pensions were calculated based on the aggregate amount of salaries of employees for the previous year. As the aggregate amount of salaries of employees of the Company in 2002 was higher than those of 2001, the pensions of the Company in 2003 increased.

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#### 4. TAXATION

As the Company is a corporation incorporated in Shenzhen Special Economic Zone, it is subject to income tax at a rate of 15%. According to relevant tax regulations, other businesses of the Company and its subsidiaries are subject to income tax at the rate of 15% or 33%, depending on the location of incorporation. Income tax expense of the Company and its subsidiaries were RMB93.44 million in 2003, implying an actual tax rate of 15.4%. Income tax expense in 2003 decreased by RMB10.96 million from RMB104.4 million in 2002, mainly due to the decline in the Company's profits before tax.

#### 5. ANALYSIS OF FINANCIAL POSITION

#### Assets, Liabilities and Shareholders' Equity

Set out below are the assets, liabilities and shareholders' equity of the Company and its subsidiaries as at December 31, 2003 compared with that as at December 31, 2002:

Unit: RMB thousands

Change in 2003 compared to 2002 Increase/

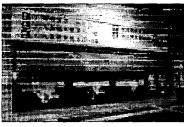
	2003	2002	(Decrease)
Current assets	2,597,986	2,633,280	(35,294)
Non-current assets	8,475,967	8,624,314	(148,347)
Total assets	11,073,953	11,257,594	(183,641)
Current liabilities	699,237	1,001,866	(302,629)
Non-current liabilities	<del>-</del>	_	-
Total liabilities	699,237	1,001,866	(302,629)
Minority interests	52,358	11,577	40,781
Net assets	10,322,358	10,244,151	78,207
Share capital	4,335,550	4,335,550	
Reserves	5,986,808	5,908,601	78,207
Total shareholders' equity	10,322,358	10,244,151	78,207

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As of December 31, 2003, total assets of the Company were RMB11,074.0 million, representing a decrease of RMB183.6 million from RMB11,257.6 million as of December 31, 2002.

As of December 31, 2003, current assets of the Company were RMB2,598.0 million, representing a decrease of RMB35.29 million from RMB2,633.3 million as of December 31, 2002. This was due to the decline in cash and cash equivalent, prepayments and other receivables and receivables due from Guangzhou Railway (Group) Company and related parties in the amount of RMB129.1 million. Increase in short-term currency investments deposited in bank and account receivables in the amount of RMB89.26 million partly offset the decline of current assets.

As of December 31, 2003, non-current assets of the Company were RMB8,476.0 million, representing a decrease of RMB148.3 million from RMB8,624.3 million as of December 31, 2002. This was primarily due to a decrease in construction-in-progress in the amount of RMB282.4 million and a decrease in amortized staff costs in the amount of RMB15.09 million in 2003. However, the Company's fixed asset net book value increased by RMB154.6 million this year, which partly offset the decrease of non-current assets.







In 2003, all the liabilities of the Company were current liabilities. As of December 31, 2003, the total liabilities of the Company were RMB699.2 million, representing a decrease of RMB302.6 million or 30.2% from RMB1,001.9 million in 2002. This was mainly due to a decrease of most of the payables of the Company to different extents, including the substantial decline of RMB149.2 million for accrued expenses and other payables. Such expenses and payables declined because most of the benefit housing for staff quarters were sold in 2003. Most of the pre-payments and accrued losses relating to sales of benefit housing were offset or transferred.

As of December 31, 2003, the shareholders' equity of the Company were RMB10,322.4 million, representing an increase of RMB78.21 million from RMB10,244.2 million as of December 31, 2002. This was mainly due to the increase in reserves of RMB78.21 million when compared with that of 2002, which was the balance of net profits of RMB511.8 million in 2003 after deducting dividends of RMB433.6 million declared in 2002.

As of December 31, 2003, the gearing of the Company was 6.3%.

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As of December 31, 2003, the Company had no charge on any of its assets and had not provided any guarantees.

#### Liquidity and Capital Resources

The principal source of capital of the Company was revenues generated from operations. In 2003, the net cash flow from the Company's operations were RMB798.4 million, representing a decrease of RMB358.7 million from RMB1,157.2 million in 2002. The decrease in net cash flow from the Company's operations was mainly due to the decrease in the Company's total revenues, the increase in receivables and reduction in payables in its day-to-day operations when compared to those of 2002.

The Company's capital was mainly used for capital and operating expenses and payment of taxes and dividends. In 2003, the Company expended RMB339.2 million on the purchase of fixed assets and construction-in-progress. It also paid RMB99.68 million for income tax and RMB433.6 million for dividends.

The table below sets forth the major items in the consolidated cash flow statements of 2003 and 2002.

Change in 2003

Unit: RMB thousands

compared to 2002 Increase/ Principal items in cash flow statement 2003 2002 (Decrease) Net cash inflows from operating activities 798,449 1,157,177 (358,728)Net cash (outflows) inflows from investing activities (375,469)251,003 (626,472)Net cash (outflows) from financing activities (433,666)(360,643)(73,023)Net cash and cash equivalents (outflows) inflow (10,686) 1,047,537 (1.058,223)

The Company has sufficient cash flow and has no commercial loans. The Company has a credit facility of RMB3 billion from China Development Bank, which has not been utilized so far. The Company believes it has sufficient working capital to meet its operation and development requirements.

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#### 6. **COMMITMENTS**

#### (a) Capital commitments

As of December 31, 2003, the Company had the following capital commitments of which all are authorized and contracted for:

|                               | 2003    | 2002    |
|-------------------------------|---------|---------|
|                               | RMB'000 | RMB'000 |
|                               |         |         |
| Authorised and contracted for |         | 10,158  |

#### (b) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases were as follows:

|                                                   | 2003    | 2002    |
|---------------------------------------------------|---------|---------|
|                                                   | RMB'000 | RMB'000 |
| Machinery and equipment                           |         |         |
| - not more than one year                          | 108,000 | 108,000 |
| - more than one year but not more than five years | 183,375 | 291,375 |
|                                                   | 291,375 | 399,375 |

The above said operating lease commitments were for leasing eight AC-driving electric passenger trains ("Blue Arrow") with a speed up to 200 kilometres per hour.

#### 7. FOREIGN EXCHANGE RISK AND HEDGING

The Company currently holds a certain amount of United States dollars and Hong Kong dollars ("HK dollars") deposits. It also earns revenues in HK dollars from its railway transportation businesses. Dividends to the shareholders of H shares and ADRs are paid in foreign currencies. Some of the Company's contracts, particularly with respect to the high-speed passenger train project, are payable by the Company in foreign currencies. If the exchange rate of RMB to the relative foreign currencies fluctuates, the operating results of the Company will be affected. The Company has not entered into any contract for the purpose of hedging.

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#### 8. INTEREST RATE RISK

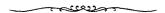
Funds that are not needed for immediate use are placed as temporary cash deposits or time deposits in commercial banks and in the Railway Deposit-taking Centre of the MOR. The Company does not hold any market risk-sensitive instruments for trading purposes. As of December 31, 2003, the Company had no commercial bank loans outstanding. Accordingly, the Company is not exposed to any material interest rate risks.

#### 9. **CONTINGENCY**

As of December 31, 2003, the Company's interest in an associated company, Guangzhou Tiecheng Enterprise Company Limited ("Tiecheng"), amounted to approximately RMB140 million. In 1996, Tiecheng and a Hong Kong incorporated company jointly established Guangzhou Guantian Real Estate Company Limited ("Guangzhou Guantian"), a sino-foreign cooperative joint venture to develop certain properties near a railway station operated by the Company.

On October 27, 2000, Guangzhou Guantian together with Guangzhou Guanhua Real Estate Company Limited ("Guangzhou Guanhua") and Guangzhou Guanyi Real Estate Company Limited ("Guangzhou Guanyi") agreed to act as joint guarantors (the "Guarantors") of certain payables of Guangdong Guangcheng Real Estate Company Limited ("Guangdong Guancheng") to an independent third party. Guangzhou Guantian, Guangzhou Guanhua, Guangzhou Guanyi and Guangdong Guancheng were related companies with a common chairman. As Guangdong Guancheng failed to repay the payables, according to a court verdict on November 4, 2001, Guangzhou Guantian, Guangzhou Guanhua and Guangzhou Guanyi were liable to the independent third party to recover an amount of approximately RMB257 million plus interest from Guangdong Guancheng. As such, if Guangzhou Guantian were held responsible for the guarantee, the Company may need to provide for impairment on its interest in Tiecheng.

On December 15, 2003, the High People's Court of Guangdong Province ("the Court") received the Guangzhou Guantian's application for discharging the aforesaid guarantee. As a necessary procedure for the Court to decide to reassess the previous court verdict, a hearing was held on March 18, 2004. In this respect, Guangzhou Guantian appointed an independent lawyer to represent on its behalf to attend the hearing. Up to the date of this report, the Court is yet to finish the necessary procedures before making decision to reassess the previous court verdict. However, having consulted that independent lawyer, the directors are of the opinion that the guarantee arrangement should be invalid according to the relevant PRC rules and regulations. Accordingly, the directors consider that as of the date of this report, the chance of Guangzhou Guantian to settle the above claim is remote and no provision for impairment on the interests in Tiecheng was made in the accounts.



#### 10. OVERDUE TIME DEPOSITS

As of December 31, 2003 the Company had approximately RMB31.365 million overdue time deposits placed with Zengcheng Lihua Urban Credit Cooperative. The Company had initiated legal proceedings and obtained judgment in its favour regarding the unpaid time deposits. However, as the judgment debtor was undergoing restructuring, the Court ordered a stay of execution of the judgment obtained by the Company. The said overdue time deposit accounts for approximately 0.3% of the net assets and 1.2% of the total current assets of the Company and had no material impact on the capital usage and operations of the Company. For prudence, the Company has reclassified such amount to other receivables and made a provision in its financial statements for such overdue deposit.

Except for such overdue time deposit, the Company has no other overdue time deposit that has not been repaid. The Company has not encountered any difficulty in withdrawing deposits. The Company has placed its deposits with other commercial banks in the PRC and the Railway Deposit-taking Centre of the MOR.

#### 11. EMPLOYEES, SALARY DISTRIBUTION POLICY AND TRAINING PLANS

As of December 31, 2003, the Company had in total 9,029 employees.

The Company implemented a salary policy which closely links with operating results, labour efficiency and individual performance. Employees' salaries distribution is subject to macro-control and is based on their post scores and performance reviews. The Company paid approximately RMB347.6 million in total for salary and benefits on its railroad businesses in 2003.

Pursuant to applicable state policies and regulations, the employees of the Company enjoy the following benefits: (1) retirement pension — the Company is required to set aside a sum equivalent to 18% of the aggregate amount of salaries of all of its employees for the year and 5% of the aggregate amount of salaries of all of its employees for the year as employees' retirement pension and supplemental retirement pension, respectively; (2) welfare fund — the Company is required to set aside 14% of the aggregate amount of salaries of all of its employees for the year as employees' welfare fund contributions and medical service fees; and (3) housing fund — both the Company and its employees are required to deposit 7% (for residents in Guangzhou area or along the Guangzhou-Shenzhen route), or 13% (for Shenzhen residents) of the employee's monthly salary into the employee's personal housing fund account. Save as disclosed, the Company has not participated in any other employees' basic medical insurance schemes.

During 2003, the Company provided 388 employees with training on post standardization and 4,294 employees with training on adaptability and knowledge about prevention of SARS. The training plan of 2003 was fully implemented and the total expenses for these training programmes in 2003 was approximately RMB2.46 million.



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#### REPORT OF DIRECTORS

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The Board is pleased to present the Report of Directors together with the audited financial statements of the Company and its subsidiaries for the year ended December 31, 2003.

#### PRINCIPAL ACTIVITIES AND FINANCIAL RESULTS

The Company and its subsidiaries are mainly engaged in railway passenger and freight transportation between Guangzhou and Shenzhen and certain long-distance passenger transportation services, passenger transportation service of Hong Kong through-trains operated together with KCR in Hong Kong, other businesses such as provision of railway facilities and technical services, and sales of food, beverages and merchandise in railway stations and on trains.

The consolidated operating results of the Company and its subsidiaries for the year ended December 31, 2003 and the financial positions of the Company and its subsidiaries as of December 31, 2003 are set out in the consolidated income statement and balance sheets prepared in accordance with International Financial Reporting Standards ("IFRS") as set out on page 52 and page 53 of this annual report, respectively.

#### PROPOSED PROFIT APPROPRIATION

For the year ended December 31, 2003, the appropriations of profit as dividends and reserves proposed by the Board are set out in Note 32 and Note 24 to the financial statements, respectively.

#### **DIVIDENDS**

The Company did not declare any interim dividend for the six months ended June 30, 2003.

On April 20, 2004, the Board proposed a distribution of final dividend of RMB0.105 per share to the shareholders of the Company for the year ended December 31, 2003.

Shareholders whose names appear on the Register of Members on May 11, 2004 will qualify for the final dividend for the year ended December 31, 2003. The Register of Members for H shares will be closed from May 11, 2004 to June 10, 2004, both days inclusive.

Holders of H shares who wish to qualify for entitlement to the final dividend must lodge all transfer forms, together with the relevant share certificates, with the Company's share registrars, Hong Kong Registrars Limited, at Rooms 1712-1716 on 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on May 10, 2004, the last trading day before the Register of Members is closed.

Details concerning the final dividend payments to holders of H shares are to be announced subject to the approval of the shareholders at the 2003 annual general meeting, which is to be held on June 10, 2004. The specific date and procedure for the payment of the final dividends will be announced separately.

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In accordance with the articles of association of the Company (the "Articles of Association"), the dividend for domestic shares will be paid in RMB while the dividend for H Shares will be calculated in RMB and paid in Hong Kong dollars. The exchange rate will be based on the average of the closing exchange rates for RMB to Hong Kong dollars as announced by the People's Bank of China during the calendar week preceding the date on which the dividend is to be distributed.







#### TRUST DEPOSITS

As of December 31, 2003, the Company did not have any trust deposits placed with any financial institutions in the PRC.

#### **BANK BORROWINGS**

As of December 31, 2003, the Company had no bank loans or borrowings.

#### CHARGE ON ASSETS AND GUARANTEE

As of December 31, 2003, there were no outstanding charges against any of the Company's assets and the Company did not have any guarantee outstanding.

#### INTEREST CAPITALIZED

There was no interest capitalized in the construction-in-progress or fixed assets of the Company and its subsidiaries during 2003.

#### FIXED ASSETS

Changes in fixed assets of the Company and its subsidiaries during 2003 are set out in Note 10 to the financial statements.

- COCCESSOR

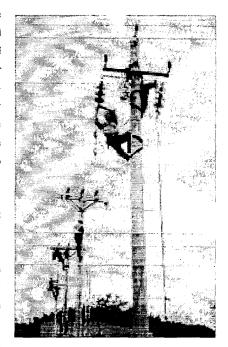
#### **TAXATION**

As the Company was registered and established in the Shenzhen Special Economic Zone of the PRC, it is subject to income tax at a rate of 15%. The rate is 18 percentage points lower than that of the standard income tax rate of 33% applicable to PRC companies.

On May 16, 2003, 深圳市地方税務局 (Shenzhen Local Taxation Bureau) issued 《關於促進我市"非典"防治若干税收措施的通知》(Notice Concerning Certain Taxation Measures for Promoting the Prevention and Cure of Atypical Pneumonia of Our Municipality) (Shendishuifa

[2003]406). According to the Notice, the Company enjoyed the following preferential taxation policies: (1) during the period from May 1, 2003 to September 30, 2003, the business tax levied on the revenues of the Company generated from its passenger transportation business, city construction tax and education subcharge will be reduced by half; and (2) upon the application by the Company, the real estate tax for the Company's real estate used in the operation of its transportation business will be reduced by half during the period from April 1, 2003 to September 30, 2003.

On December 22, 2003, 深圳市地方税務局 (Shenzhen Local Taxation Bureau) issued 《深圳市地方税務局轉發財政部、國家稅務總局關於防治"非典"工作有關稅收政策問題的通知》 (Notice Concerning Taxation Policies for Promoting the Prevention and Cure of Atypical Pneumonia Forwarded by Shenzhen Local Taxation Bureau to Bureau of Finance and State Administration of Taxation) (Shendishuifa [2003]1103). According to the Notice, the Company was exempted from

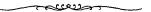


paying the business tax levied on the revenues of the Company generated from its passenger transportation business, city construction tax and education sub-charge for the period from May 1, 2003 to September 30, 2003. 50% of each of the business tax on the Company's revenues generated from its passenger transportation business, city construction tax and education sub-charge levied according to the Notice (Shendishuifa [2003]406) were refunded.

Details regarding taxation of the Company and its subsidiaries are set out in Note 6 to the financial statement.

#### RESERVES

Changes in the reserves of the Company and its subsidiaries during the year are set out in Note 24 to the financial statements.



#### STATUTORY PUBLIC WELFARE FUND

Details of the Company's statutory common welfare fund are set out in Note 24 to the financial statements.

#### **SUBSIDIARIES**

Details of the Company's principal subsidiaries as of December 31, 2003 are set out in Note 13 to the financial statements.

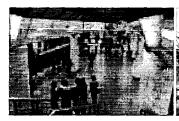
#### **EQUIPMENT AND MAINTENANCE**

The Company owned 12 diesel high-speed locomotives, 5 high-speed electric locomotives, 18 shunting locomotives, 1 high-speed electric passenger train, 84 quasi-high-speed passenger coaches, 41 regular-speed passenger coaches and 112 long-distance express train passenger coaches. It also leases eight high-speed electric trains from Guangzhou China Railway Rolling Stock Sales and Service Company Limited. The freight cars used by the Company are all leased from the MOR, to which the Company paid rental fees and depreciation based on the uniform rate set by the MOR.

#### INFORMATION RELATING TO THE ORIGINAL ISSUE AND LISTING

20,536,760 ADSs (each ADS represents 50 H Shares) of the Company were listed on the New York Stock Exchange on May 13, 1996 (New York time) and 217,812,000 H Shares were listed on the Hong Kong Exchange on May 14, 1996 (Beijing time). Upon the exercise of the over-allotment options by the underwriters, the Company issued 186,650,000 H Shares in the form of ADSs on May 24, 1996. The aggregate number of issued H Shares was therefore increased to 1,431,300,000. Each share has a par value of RMB1.00.

|                                                | H Shares listed<br>in Hong Kong<br>(HK\$/share) | ADSs listed<br>in New York<br>(US\$/ADS) |
|------------------------------------------------|-------------------------------------------------|------------------------------------------|
| Issue price                                    | 2.91                                            | 19.00                                    |
| Highest trading price during 2003              | 2.25                                            | 14.84                                    |
| Lowest trading price during 2003               | 1.26                                            | 8.20                                     |
| Opening price on the first trading day of 2003 | 1.32                                            | 8.63                                     |
| Closing price on the last trading day of 2003  | 2.20                                            | 14.52                                    |
| Total number of turnover in 2003               | 2,293,562,905                                   | 8,571,200                                |







#### SHARE CAPITAL STRUCTURE

As of December 31, 2003, the share capital of the Company consisted of:

| Type of share capital       | Number<br>of shares<br>('000) | Percentage<br>of share<br>(%) |  |
|-----------------------------|-------------------------------|-------------------------------|--|
| State-owned Domestic Shares | 2,904,250                     | 66.99                         |  |
| H Shares                    | 1,431,300                     | 33.01                         |  |
| Total                       | 4,335,550                     | 100.00                        |  |

There was no change in the share capital of the Company during the year.

#### **SHAREHOLDERS**

So far as the Directors are aware, as at December 31, 2003, the interests and short positions of the persons, other than directors or supervisors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) were as follows:

Percentage

Percentage

| Name of shareholder                                 | Class<br>of shares | Number<br>of shares     | Capacity                           | Type of interest | of class<br>of shares<br>(%) | of total<br>share capital<br>(%) |
|-----------------------------------------------------|--------------------|-------------------------|------------------------------------|------------------|------------------------------|----------------------------------|
| Guangzhou Railway<br>(Group) Company                | Domestic<br>shares | 2,904,250,000 (L)       | Beneficial owner                   | Corporate        | 100.00                       | 66.99                            |
| Marathon Asset  Management Ltd.                     | H Shares           | 115,706,000 (L)         | Beneficial owner                   | Corporate        | 8.08                         | 2.67                             |
| Sumitomo Life Insurance<br>Company (Note)           | H Shares           | 71,692,000 (L)          | Interest of controlled corporation | Corporate        | 5.00                         | 1.65                             |
| Sumitomo Mitsui Asset  Management Company,  Limited | H Shares           | 71,692,000 ( <i>L</i> ) | Beneficial owner                   | Corporate        | 5.00                         | 1.65                             |

Note: As at December 31, 2003, Sumitomo Life Insurance Company was deemed to be interested in 71,692,000 H
Shares (representing 5.00% of the total H Shares of the Company or 1.65% of the total share capital of the
Company) held by Sumitomo Mitsui Asset Management Company, Limited, a controlled corporation of Sumitomo
Life Insurance Company.

The letter "L" denotes a long position.

#### PURCHASE, SALE AND REDEMPTION OF SHARES

During the year ended December 31, 2003, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the shares of the Company.

#### PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive right under the Articles of Association and the laws of the PRC.

### CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS OF CONNECTED TRANSACTIONS

The independent non-executive directors of the Company confirmed that the connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) entered into by the Company during 2003 were entered into in the ordinary and usual course of its business on normal commercial terms or on terms that were fair and reasonable so far as the shareholders were concerned, or in accordance with the terms of an agreement governing such transactions or, where there was no such agreement, on terms no less favourable than those offered to (or from) independent third parties.

#### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Information relating to the directors, supervisors and senior management of the Company as of April 20, 2004 is as follows:

| Age | Position                                     | Nationality                                                                                                                                                                                 |
|-----|----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     |                                              |                                                                                                                                                                                             |
|     |                                              |                                                                                                                                                                                             |
| 55  | Chairman of the Board                        | Chinese                                                                                                                                                                                     |
| 55  | Director and General Manager                 | Chinese                                                                                                                                                                                     |
| 40  | Director                                     | Chinese                                                                                                                                                                                     |
| 55  | Director                                     | Chinese                                                                                                                                                                                     |
| 41  | Director                                     | Chinese                                                                                                                                                                                     |
| 40  | Director and Deputy General Manager          | Chinese                                                                                                                                                                                     |
| 57  | Director and Chairman of the Trade Union     | Chinese                                                                                                                                                                                     |
| 58  | Director                                     | Hong Kong, the PRC                                                                                                                                                                          |
| 44  | Director                                     | Australian                                                                                                                                                                                  |
|     | 55<br>55<br>40<br>55<br>41<br>40<br>57<br>58 | 55 Chairman of the Board 55 Director and General Manager 40 Director 55 Director 41 Director 40 Director and Deputy General Manager 57 Director and Chairman of the Trade Union 58 Director |

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| Name                    | Age | Position                                | Nationality |
|-------------------------|-----|-----------------------------------------|-------------|
| Supervisors:            |     |                                         |             |
| Gu Hongxi               | 57  | Chairman of the Supervisory Committee   | Chinese     |
| Yao Muming              | 50  | Supervisor                              | Chinese     |
| Zhao Genrong            | 58  | Supervisor                              | Chinese     |
| Chen Yongbao            | 52  | Supervisor                              | Chinese     |
| Chen Yunzhong           | 51  | Supervisor                              | Chinese     |
| Yang Rongjiu            | 56  | Supervisor                              | Chinese     |
| Name                    | Age | Position                                | Nationality |
| Other Senior Management | :   |                                         |             |
| Luo Qingming            | 47  | Deputy General Manager & Chief Engineer | Chinese     |
| Shao Huaping            | 46  | Deputy General Manager                  | Chinese     |
| Shao riuaping           | 40  | Deputy General Manager                  | Chinese     |
| Wu Weimin               | 46  | Deputy General Manager                  | Chinese     |
|                         | _   | . ,                                     | _           |

<sup>\*</sup> Independent non-executive directors who are also Hong Kong residents.

From June 28, 2002 to June 10, 2003, Mr. Jiang Linyang was the chairman of the Board of the Company.

On May 8, 2003, resolutions were passed at the fourth meeting of the third session of the Board of the Company to terminate the engagement of Mr. Wu Yiquan as General Manager and to appoint Mr. Feng Qifu as General Manager of the Company.

On June 10, 2003, the Company convened the annual general meeting of the Company. Resolutions were passed at the annual general meeting to terminate the engagement of each of Mr. Jiang Linyang, Mr. Li Daihua, Mr. Wu Yiquan and Mr. Shen Jun as directors of the third session of the Board of the Company and to appoint Mr. Wu Junguang, Mr. Feng Qifu, Mr. Hu Lingling and Mr. Wen Weiming as directors of the third session of the Board of the Company.

On June 10, 2003, resolutions were passed at the fifth meeting of the third session of the Board of the Company to appoint Mr. Wu Junguang as chairman of the Board of the Company.

On August 12, 2003, resolutions were passed at the sixth meeting of the third session of the Board of the Company to terminate the engagement of Mr. Ma Kaiming as Deputy General Manager.

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On January 6, 2004, resolutions were passed at the seventh meeting of the third session of the Board of the Company to terminate the engagement of Mr. Yan Ping as Deputy General Manager and the engagement of Mr. Yao Xiaocong as Chief Accountant and Company Secretary. Resolutions were also passed at the same meeting to appoint each of Mr. Shao Huaping and Mr. Wu Weimin as Deputy General Manager, Ms. Li Ruizhi as Chief Accountant and Mr. Guo Xiangdong as Company Secretary.

## PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### Directors

Wu Junguang, age 55, is the Chairman of the Board of the Company and the Chairman of the Board of Directors and the General Manager of Guangzhou Railway (Group) Company. Mr. Wu graduated from South China Normal University (華南師範大學). Since 1964, he has served in various managerial positions in various railway departments. He had served as the Stationmaster of Guangzhou Station, the General Manager of Yangcheng Railway Company and in other positions.

Feng Qifu, age 55, is a Director and the General Manager of the Company. He graduated from Guangdong Provincial School of the Party Committee (廣東省委黨校). Since 1969, Mr. Feng has served in various technical and managerial positions in various railway departments. He had served as the General Manager of Changsha Railway Company, the Deputy General Manager of Guangzhou Railway (Group) Company and in other positions.

Hu Lingling, age 40, is a Director of the Company. He graduated from Changsha Railway Institute (長沙鐵 道學院) and is an engineer. Since 1985, Mr. Hu has served in various technical and managerial positions in various railway departments. He had served as the Deputy General Manager of Yangcheng Railway Company and the Director of Transportation Department of Guangzhou Railway (Group) Company. Mr. Hu is currently the Deputy General Manager of Guangzhou Railway (Group) Company.

Wu Houhui, age 55, is a Director of the Company. He graduated from Dalian Railway College (大連鐵道學院) and is a senior economist. Mr. Wu served in various managerial positions in Guangzhou Railway (Group) Company from 1984 to 2003. He is currently the Chief Economist of Guangzhou Railway (Group) Company.



Wen Weiming, age 41, is a Director of the Company. Mr. Wen graduated from Workers University of Guangzhou Railway Bureau (廣州鐵路局職工大學) and School of the Central Party Committee (中央黨校) and is a senior accountant. He has many years of experience in financial field. He had served as the Director of the Finance Sub-section of Yangcheng Railway Company and the Director of Finance Department of Guangzhou Railway (Group) Company. Mr. Wen is currently the Deputy Chief Accountant of Guangzhou Railway (Group) Company.

Li Qingyun, age 40, is a Director and Deputy General Manager of the Company. Mr. Li graduated and obtained a master degree from North Jiaotong University (北方交通大學) with major in railway transportation and organization in 1989. He served in managerial positions in technical and transportation departments of Guangzhou Railway (Group) Company from 1989 to August 1999. He joined the Company in September 1999.

Li Peng, age 57, is a Director and the Chairman of the Trade Union of the Company. Mr. Li graduated from the East China Civil Engineering Institute (華東工程學院). He had served in various executive and labour administration positions in Yangcheng Railway Company since 1977. He was the Deputy General Manager of the predecessor of the Company, Guangshen Railway Company, and Guangshen Railway Enterprise Development Company from 1992 to 1997. Mr. Li joined the Company in December 1997.

Chang Loong Cheong, age 58, is an independent Director of the Company. Mr. Chang holds a management certificate from the Hong Kong Management Association. He is also a director of Shanghai Xinhua Iron & Steel Company Limited and Orient International (Shanghai) Limited. Mr. Chang had been a manager of Cathay Restaurant in Lagos, Nigeria, a member of the senior management of Island Navigation Corporation International Limited in West Africa and Orient Overseas Container Line Limited, and the General Manager and a director of Noble Ascent Company Limited.

**Deborah Kong**, age 44, is an independent Director of the Company. Ms. Kong is currently an executive director of Centennial Resources Company Limited. Ms. Kong holds a Bachelor of Arts degree from Sydney University and has attended a one-year master degree course of finance offered by Macquarie University in Australia. She is a member of the People's Political Consultative Standing Committee of Shandong Province in the PRC.







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#### Supervisors

Gu Hongxi, age 57, is the Chairman of the Supervisory Committee of the Company. He graduated from Zhejiang University (浙江大學). Mr. Gu joined the railway department in 1974 and had served as the Deputy Director of Changsha Railway Sub-administration, the Director of the Welfare and Education Departments and the Chief Economist of Guangzhou Railway (Group) Company. Since June 2003, Mr. Gu has been a member of the senior management of Guangzhou Railway Rolling Stock Factory.

Yao Muming, age 50, is a Supervisor of the Company. Mr. Yao graduated from South China Normal University (華南師範大學) and had served as the Deputy Director of the Guangzhou and Zhuhai Animal and Plant Quarantine Bureaus. From 1997 to 2003, he was a member of the senior management of the Company. Since July 2003, Mr. Yao has been a member of the senior management of Guangzhou Railway (Group) Company.

Zhao Genrong, age 58, is a Supervisor of the Company. Mr. Zhao graduated from North Jiaotong University (北方交通大學). He served various finance positions in Hengyang Railway Sub-administration from 1968. Since 1983, Mr. Zhao had served as the Deputy Director and the Director of the Finance Department of Guangzhou Railway (Group) Company. Since August 1999, Mr. Zhao has been the Director of the Audit Department of Guangzhou Railway (Group) Company.

Chen Yongbao, age 52, is a Supervisor of the Company. Mr. Chen graduated from Zhuzhou Railway Mechanical Secondary Technical School (株洲鐵路機械學校). Since 1975, he had served in various managerial positions in Guangzhou Railway Sub-administration and Yangcheng Railway Company. From 1997 to 2001, Mr. Chen served in the administration supervisory position of Guangzhou Railway (Group) Company. Since May 2001, Mr. Chen has been the chief of the Supervision Department of Guangzhou Railway (Group) Company.

Chen Yunzhong, age 51, is a Supervisor of the Company. Mr. Chen graduated from Guangzhou Railway Driver's School (廣州鐵路司機學校), Guangdong Jinan University (廣東暨南大學) and School of the Central Party Committee (中央黨校). He was a member of the senior management of Hainan Railway Company. Mr. Chen joined the Company in May 2000 and is currently a member of the senior management of the Company:

Yang Rongjiu, age 56, is a Supervisor of the Company. Mr. Yang graduated from Cadres Refresh Class (幹部進修班) in Guangzhou Zhongshan University (廣州中山大學). He had served in various railway departments since 1964 and was the Stationmaster of Shenzhen Railway Station. Since May 2001, Mr. Yang has been the Deputy Chairman of the Trade Union of the Company.

## Other Senior Management

Luo Qingming, age 47, is a Deputy General Manager and the Chief Engineer of the Company. In 1982, Mr. Luo graduated from Changsha Railway Institute (長沙鐵道學院) with major in railway engineering. He is a senior engineer and had served as an engineer, the Chief Engineer, a Deputy Section Chief and the Section Chief of Guangshen Engineering Section of the Company. He received a government allowance awarded by the State Council of the PRC in 1999.

Shao Huaping, age 46, is a Deputy General Manager of the Company. Mr. Shao graduated from the Huazhong University of Science and Technology (華中理工大學) with a Master's degree in Engineering and is a senior engineer. Since 1979, he had served in various managerial positions of Wuhan Railway Subadministration and Shenzhen Pingyan Railway Company. From August 1998 to September 2001, he had served as the Deputy Section Chief of Shenzhen Power Section of the Company. Mr. Shao was the Deputy Director of Locomotive Department of Guangzhou Railway (Group) Company before joining the Company as a Deputy General Manager in January 2004.

Wu Weimin, age 46, is a Deputy General Manager of the Company. Mr. Wu graduated from Guangdong Radio & TV University (廣東廣播電視大學) and is an engineer. Since 1984, he had served in various managerial positions in the Material and Equipment Department, the Planning and Statistic Department and the Labour and Wage Department of Yangcheng Railway Company. He also had served as an engineer in the Material and Equipment Section, the Deputy Director and the Director of the Planning and Statistic Subdepartment of Yangcheng Railway Company. Mr. Wu was the Director of Labour Sub-department and Director of Social Insurance Centre of Yangcheng Railway Company before joining the Company as a Deputy General Manager in January 2004.

Li Ruizhi, age 48, is the Chief Accountant of the Company. Ms. Li graduated from Economy and Management Department of School of the Central Party Committee (中央黨校) and is an accountant. Since 1984, she has served in finance and accounting positions in various railway departments. She has 20 years of experience in finance and accounting areas. Ms. Li had served as the deputy section-chief of the Finance Department and the Deputy Director of Guangzhou Railway Settlement Centre of Guangzhou Railway (Group) Company before joining the Company in January 2004.

Guo Xiangdong, age 38, is the Company Secretary and the Director of Secretariat of the Board of Directors. Mr. Guo graduated from the Central China Normal University (華中師範大學) with a Bachelor of Laws degree and is a economist. He joined the Company in 1991, and had served as the Deputy Section Chief, Deputy Director and the Director of Secretariat of the Board of Directors of the Company. Mr. Guo has been as the Company Secretary since January 2004.

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## REPORT OF DIRECTORS

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# INTERESTS OF DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT IN THE SHARE CAPITAL OF THE COMPANY

As of December 31, 2003, there was no record of interests and short positions (including the interests and short positions which were taken or deemed to have under the provisions of the Securities and Futures Ordinance) of the directors or supervisors of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance) in the register required to be kept under section 352 of the Securities and Futures Ordinance. The Company had not received notification of such interests and short positions from each director or supervisor of the Company as required to be made to the Company and the Hong Kong Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules. The Company has not granted to any of the Company's directors or supervisors or their spouses or children under the age of 18 any right to subscribe for any shares or debentures of the Company.

#### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors of the Company has entered into a service agreement with the Company. Save as disclosed above, no other service contract has been entered between the Company or any of its subsidiaries and any of the directors or supervisors. Save as disclosed above, the Company has not entered into any service contract with any director or supervisor that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## CONTRACTS ENTERED INTO BY THE DIRECTORS AND SUPERVISORS

No director or supervisor of the Company has any direct or indirect material interests in any contract of significance subsisting during or at the end of the year to which the Company or any of its subsidiaries was a party.

#### REMUNERATION OF THE DIRECTORS AND SUPERVISORS

The remuneration of the directors and supervisors and senior management of the Company are set out in Note 5 to the financial statements of this annual report.

#### IMPACT OF THE RECENT ECONOMIC DEVELOPMENTS ON THE COMPANY

In the first half of 2003, the outbreak of SARS in some provinces in the PRC and Hong Kong had significant negative impact on the transportation business of the Company. As the PRC Government had implemented a series of measures to support economic development, the economy of the PRC quickly recovered its strong momentum in growth after the fading of the SARS epidemic. Following the signing of CEPA, the economic interaction between Guangdong Province and Hong Kong increased; providing a favorable environment for the Company to increase its transportation volume during the second half of the year to compensate for its decreased business.

## ADJUSTMENT OF PRICE

In 2003, the Company made the following adjustments to the price for its passenger and freight transportation: (1) during the Spring Festival, the Company made different adjustments to passenger fares of different classes of long-distance domestic trains; (2) with the approval of the MOR or Guangzhou Railway (Group) Limited, the Company continued to offer reduced prices for certain goods in order to improve its competitiveness in the freight transportation services; (3) during the New Year holidays, the Spring Festival and the National Day holidays, the Company increased the fare of the high-speed passenger trains and the regular-speed passenger trains between Guangzhou and Shenzhen by RMB5 per trip; (4) in October 8, 2003, the Company increased the fare of hardseat of the high-speed passenger trains between Guangzhou and Shenzhen from RMB60 to RMB65 per trip.

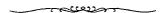
#### MATERIAL LITIGATION

The Company and its subsidiaries were not involved in any material litigation or dispute in 2003.

## AUDITORS

On June 10, 2003, resolutions were passed at the annual general meeting of the Company to appoint PricewaterhouseCoopers (certified public accountants in Hong Kong) as the international auditors of the Company for 2003 and to appoint Pan-China (Schinda) Certified Public Accountants as its PRC auditor for 2003. Resolutions to re-appoint these two firms as the international and PRC auditors of the Company for 2004 will be proposed at the annual general meeting of the Company to be held on June 10, 2004.

PricewaterhouseCoopers was the international auditors of the Company for 2002 and Arthur Andersen was the international auditors of the Company for 2001.



# ACCOUNTING TREATMENT REGARDING THE DIFFERENCES BETWEEN THE SELLING PRICES AND COSTS OF EMPLOYEES' HOUSING

The Company constructed and purchased new residential properties for its employees to improve their living conditions. Under a housing benefit scheme, the Company sold these residential properties to its employees at a price approved by the government. The losses arising from the difference between the net book value and the proceeds from the sales of staff quarters to the employees was not more than RMB226.4 million as of December 31, 2003. Pursuant to the prevailing policies of the Ministry of Finance, the aforesaid losses should be credited to retained earnings in the statutory accounts as of January 1, 2001, or in case of a debit balance, to offset against statutory public welfare fund, statutory surplus reserve, discretionary surplus reserve and capital surplus reserve upon the approval of the Board. Such treatment conforms with the accounting principles and regulations applicable to the Company and its subsidiaries in the PRC.

In the financial statements of the Company for the year ended December 31, 2003 prepared in accordance with IFRS, the Company accounted for the losses arising from housing scheme as follows: losses from the sale of completed staff quarters to employees, or from the sale of premises under construction of which could be reasonably estimated for future services was approximately RMB226.4 million. Such losses were amortized on a straight line basis over the estimated remaining average service period of employees of 15 years from the time of such sales. During the year ended December 31, 2003, the amortization charged to the deferred labour costs of the consolidated income statement was RMB15.09 million and the accumulated amortization amounted to 60.37 million.

As of December 31, 2003, the unamortized deferred losses, which were recorded as deferred staff costs in the balance sheet of the Company and its subsidiaries, were RMB166.0 million.

## MAJOR SUPPLIERS AND CUSTOMERS

Most of the locomotives, passenger coaches and major railway supplies and equipment of the Company are supplied directly or indirectly by the MOR. The Company may also purchase some of its equipment from oversea or domestic suppliers. The five largest customers of the Company accounted for less than 30% of the revenue of the Company and the five largest suppliers of the Company accounted for less than 30% of the purchases of the Company.

## CONNECTED TRANSACTIONS

As of December 31, 2003, the connected transactions of the Company in relation to railway transport have been carried out on normal terms according to the conditions and waiver granted by The Stock Exchange of Hong Kong Limited and the contracts entered into by the contracting parties. There has been no new connected transaction.

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## REPORT OF DIRECTORS

## **AUDIT COMMITTEE**

The Audit Committee consists of two independent non-executive directors of the Company. Its main duties include review and supervision of the financial reporting process and internal controls of the Company. The audited annual financial statements for the year ended December 31, 2003 have been reviewed by the Audit Committee.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company and its directors hereby state that, to the best of their knowledge, the Company has, throughout the financial year ended December 31, 2003, complied with the Code of Best Practice set out in old Appendix 14 of the Listing Rules.

#### U.S. SARBANES-OXLEY ACT 2002

This legislation which seeks to enhance the transparency and accountability of companies in the areas of corporate governance and financial reporting, was signed into law by the President of the United States on 30 July 2002. As the Company is a U.S. Securities and Commission reporting company, it is generally bound by this new legislation. The Company has been, and will continue its process of reviewing its internal systems and practices and implementing new requirements under this legislation in line with applicable compliance dates.

By Order of the Board
Wu Junguang
Chairman

Shenzhen, the PRC April 20, 2004

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REPORT OF THE
SUPERVISORY COMMITTEE

## REPORT OF THE SUPERVISORY COMMITTEE

Dear shareholders:

During the year ended December 31, 2003, the Supervisory Committee (the "Committee") fulfilled its duties faithfully and carried out work actively in accordance with the Company Law of the PRC and the Articles of Association of the Company, adhered to the principle of honesty and diligence for the purpose of protecting the interests of the Company and its shareholders. The Supervisory Committee held two meetings during the period under review, at which resolutions concerning certain major issues were passed and notified to the Board. The supervisors attended all meetings of the Board and important meetings concerning operation of the Company during the period under review and made suggestions on improving management of the Company.

The Committee has carefully reviewed the Report of Directors, the financial report and proposed profit distribution to be presented by the Board at the annual general meeting.

In 2003, the Company overcame the unexpected difficulty brought by SARS epidemic. It achieved better operating results by timely adjustment of its operating strategy, improvment in its transportation businesses structure, formulation of measures to increase revenue and reduce cost, strengthen of its marketing efforts on passenger and freight transportation, better management of its budget, adjustment of its development strategy on diversification and emphasis of safety of transportation. The Committee is satisfied with the achievement of the Company in the past year and is confident of the Company's future.

As far as the Committee knows, the Board of Directors, the workgroup of General Manager and the senior management of the Company carried out their duties with sincerity and honesty. They acted



Mr. Gu Hongxi, Chairman of the Supervisory Committee

in the best interests of the Company and did not violate any laws, regulations, and the Company's articles of association and management system in the course of performing their duties.

We would like to express our gratitude to the shareholders, the Directors and all employees for their sincere support to our work.

By Order of the Supervisory Committee Gu Hongxi Chairman

Shenzhen, the PRC April 20, 2004

## CORPORATE INFORMATION

## REGISTERED NAME OF THE COMPANY

廣深鐵路股份有限公司

## ENGLISH NAME OF THE COMPANY

Guangshen Railway Company Limited

#### REGISTERED ADDRESS OF THE COMPANY

No. 1052 Heping Road Shenzhen, Guangdong Province The People's Republic of China Postal Code: 518010

#### **COMPANY WEB SITE**

www.gsrc.com

## AUTHORIZED REPRESENTATIVES

Wu Junguang Guo Xiangdong

## **COMPANY SECRETARY**

Guo Xiangdong

## DOMESTIC AUDITORS

Pan-China (Schinda)

Certified Public Accountants

16th Floor, Securities Building

No. 5020 Binhe Road

Shenzhen

The People's Republic of China

## INTERNATIONAL AUDITORS

PricewaterhouseCoopers 22nd Floor, Prince's Building Central Hong Kong

## LEGAL ADVISER AS TO PRC LAW

Haiwen & Partners Room 1016, Beijing Silver Tower No. 2 Dong San Huan North Road Chao Yang District Beijing The People's Republic of China

## LEGAL ADVISER AS TO HONG KONG LAW

Norton Rose 38/F Jardine House 1 Connaught Place Central Hong Kong

## CORPORATE INFORMATION

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# LEGAL ADVISER AS TO THE UNITED STATES LAW

Shearman & Sterling LLP
12th Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

#### PRINCIPAL BANKER

China Construction Bank
Shenzhen Railway Branch
1st to 4th Floors
Jinwei Building
Jiabin Road
Shenzhen
The People's Republic of China

## HONG KONG SHARE REGISTRAR

Hong Kong Registrars Limited Rooms 1712-16 on 17th Floor Hopewell Centre 183 Queen's Road east Hong Kong

## DEPOSITARY

JP Morgan Chase Bank 13th Floors, No. 4 New York Plaza New York USA

## INFORMATIONS OF LISTING

H Shares: The Stock Exchange of Hong Kong Limited

Share Code: 0525

ADSs: The New York Stock Exchange, Inc.

Ticker Symbol: GSH

## **PUBLICATIONS**

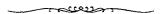
The Company's 2003 interim and annual reports were published in August 2003 and April 2004, respectively. As required by the United States securities laws, the Company will file an annual report together with the Form 20-F with the U.S. Securities and Exchange Commission before June 30, 2004. Copies of the interim and annual reports as well as the Form 20-F, once filed, will be available at:

Guangshen Railway Company Limited Secretariat to the Board of Directors No. 1052 Heping Road Shenzhen, Guangdong Province The People's Republic of China

Postal Code: 518010

Tel: (86-755) 25587920 or (86-755) 25588146

Fax: (86-755) 25591480



Notice is hereby given that the Board of Directors ("Board") of Guangshen Railway Company Limited (the "Company") has resolved that the Annual General Meeting (the "AGM") of the Company is to be held at the meeting room of the Company at 3/F, No. 1052 Heping Road, Shenzhen, Guangdong Province, the People's Republic of China ("PRC") at 9:00 a.m. on June 10, 2004 (Thursday) to consider and, if thought fit, to pass the following resolutions (apart from item 11 as a special resolution, all other items as ordinary resolutions):—

- 1. to consider and approve the work report of the Board of the Company for 2003;
- 2. to consider and approve the work report of the Supervisory Committee of the Company for 2003;
- 3. to consider and approve the audited financial statements of the Company for 2003;
- 4. to consider and approve the proposed profit distribution of the Company for 2003;
- 5. to consider and approve the budget of the Company for 2004;
- 6. to consider and approve the appointment of Mr. Wilton Chau as an independent non-executive director of the Company;
- 7. to consider and approve the termination of the engagement of Mr. Gu Hongxi as a supervisor of the Company;
- 8. to consider and approve the appointment of Mr. Tang Dinghong as a supervisor of the Company;
- to consider and approve the appointment of Pan-China (Schinda) Certified Public Accountants as the PRC auditor of the Company for 2004 and to authorise the Board and the Audit Committee to determine their remunerations;
- 10. to consider and approve the appointment of PricewaterhouseCoopers (certified public accountants in Hong Kong) as the international auditor of the Company for 2004 to authorise the Board and the Audit Committee to determine their remunerations;
- 11. to consider and approve the amendments to the Articles of Association of the Company and to authorise the Board to file these amendments with the relevant departments of the PRC government upon approval;
- 12. to consider and approve any other businesses.

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# INFORMATION ABOUT THE CANDIDATE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Wilton Chau, age 42. Mr. Chau holds a bachelor degree in applied mathematics from University of Hong Kong, a LLB degree from University of Wolverhampton and a Master of Business Administration from the University of Wales. Mr. Chau is a fellow member of the Association of Chartered Certified Accountants, a member of Singapore Institute of Arbitrators and Council member of Hong Kong Biotechnology Association. Since 1987, Mr. Chau has served several financial institutions in various senior positions overseeing investment and development in railway, road and airport infrastructure projects. Mr. Chau is currently the chairman of QLeap Venture Limited.

#### INFORMATION ABOUT THE CANDIDATE OF SUPERVISOR

Tang Dinghong, age 55, is a member of the senior management of the Company. Mr. Tang graduated from Zhongshan University. He joined the railway departments in 1969 and had served in various senior managerial positions of Guangzhou Railway (Group) Company. Mr. Tang joined the Company in July 2003.

#### PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

In accordance with the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company intends to make corresponding amendments to Articles 72, 90, 94, 95 and 129. The proposals are as follows:

#### Article 72

The existing Article 72 be deleted in its entirety and replaced with the following:

"When shareholders (including proxies) vote at the shareholders' general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right.

Where any shareholder is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, required to abstain from voting on a particular resolution or restricted to voting only in favour of or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted."

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#### Article 90

The existing Article 90 be deleted in its entirety and replaced with the following:

"Resolutions of a meeting of shareholders of different share categories may be passed only by more than two-thirds of the voting rights of that category represented at the meeting in accordance with Article 89.

Where any shareholder is, under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, required to abstain from voting on a particular resolution in a class meeting or restricted to voting only in favour of or against any particular resolution in a class meeting, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted."

#### Article 94

The existing Article 94 be deleted in its entirety and replaced with the following:

"The Company shall establish a board of directors. The board shall be composed of 10 directors. The board shall have one chairman."

#### Article 95

The existing Article 95 be deleted in its entirety and replaced with the following:

"Directors shall be elected at shareholders' general meeting and serve a term of 3 years. A director may serve consecutive terms if re-elected upon the expiration of his term.

The period for lodgement of written notice of an intention to nominate a candidate of director and that of a willingness to accept the nomination by the candidate shall commence no earlier than the day after the despatch of the notice of the meeting for election of the relevant director and end no later than 7 days prior to the date of such meeting.

The chairman of the board shall be elected and removed by the approval of more than half of all the directors of the board. The chairman of the board shall serve a term of 3 years and may serve consecutive terms if reelected upon the expiration of his term.

Subject to compliance with relevant laws and regulations, any director may be removed by ordinary resolution before the expiry of his term of office (but without prejudice to any claim for damages under any contract).

Directors need not be the shareholders of the Company."

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## NOTICE OF THE ANNUAL GENERAL MEETING

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#### Article 129

The existing Article 129 be deleted in its entirety and replaced with the following:

"The directors, supervisors, general manager, deputy general managers and other members of the senior management of the Company shall not direct any of its associates (which shall have the same meaning as in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) to do such things or take such actions that such directors, supervisors, general manager, deputy general manager or other members of the senior management are not allowed to do under any applicable law or regulation, the Articles of Association of the Company or otherwise."

#### Notes:

- (1) Holders of the H Shares of the Company are advised that the register of members of the Company's H Shares will be closed from May 11, 2004 to June 10, 2004 (both days inclusive), during which no transfer of H shares will be registered. To qualify for the final dividend, holders of H Shares must lodge the transfer documents together with the relevant share certificates with the Company's registrar, Hong Kong Registrar Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on May 10, 2004. Holders of the Company's H Shares whose names appear on the register of members of the Company on May 11, 2004, or their proxies, are entitled to attend the AGM by presenting their identity cards or passports.
- (2) Each shareholder entitled to attend and vote at the AGM may appoint one or more proxies (whether a shareholder or not) to attend the meeting and vote on his behalf.
- (3) Where a shareholder appoints more than one proxy, his proxies may only exercise the voting right when a poll is taken.
- (4) The instrument appointing a proxy must be in writing and signed by the appointer or his attorney duly authorized in writing. If the proxy form is signed by an attorney on behalf of the appointor, the power of attorney or other authority must be notarially certified. To be valid, the proxy form, together with a notarially certified copy of the power of attorney or other authority, must be delivered to the registered address of the Company not less than 24 hours before the commencement of the AGM or any adjournment thereof (as the case may be).
- (5) Shareholders who intend to attend the AGM are requested to deliver the attendance confirmation reply form to the registered office of the Company in person, by post or by facsimile on or before May 21, 2004. The return of the attendance confirmation reply form will not affect the right of the shareholders to attend and vote at the AGM.
- (6) The AGM is expected to last for half a day. Shareholders and proxies attending the AGM shall be responsible for their own traveling, accommodation and other related expenses.

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Registered Office of the Company:

No. 1052 Heping Road

Shenzhen, Guangdong Province

The People's Republic of China

Telephone: 86-755-25587920 or 25588146

Facsimile: 86-755-25591480

By Order of the Board Guo Xiangdong Company Secretary

Shenzhen, the PRC April 20, 2004

#### AUDITORS' REPORT

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# PRICEWATERHOUSE COOPERS 188

羅兵咸永道會計師事務所

PricewaterhouseCoopers 22nd Floor Prince's Building Central Hong Kong

#### TO THE SHAREHOLDERS OF GUANGSHEN RAILWAY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the accompanying balance sheet of Guangshen Railway Company Limited (the "Company") and consolidated balance sheet of the Company and its subsidiaries (the "Group") as of December 31, 2003 and the related consolidated statements of income and cash flows for the year then ended. These financial statements set out on pages 52 to 96 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made soley to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as of December 31, 2003 and of the results of the Group's operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, April 20, 2004

# CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2003

Renminbi thousands except	

No	tes 2003	2002
	San	
evenues from railroad businesses	1,754,223	1,846,599
Passenger	514,794	-514,036
Freight		
	2,269,017	2,360,635
. Sub-total	144,370	156,893
Revenues from other businesses		
otal revenues	2,413,387	2,517,528
perating expenses		***** \$40 F \$\$1 \$1.2
Railroad businesses	(347,649)	(373,781)
Labour and benefits	(347,047)	(433,918)
Equipment leases and services	(216,993)	(192,141)
Materials and supplies	(89,640)	(102,377)
Repair costs, excluding materials and supplies	(290,014)	(335,508)
Depreciation	(15,602)	(15,131)
Amortisation of leasehold land payments	(62,579)	(57,385
Fees for social services	(134,688)	(123,800
General and administrative expenses	(113,382)	(101,251
Others		to a security with a spine of a security of bush
	(1,708,286)	(1,735,292
Sub-total.		re the surface of
		. <b>8</b> 7 **
Other businesses	(112,677)	(124,602
Materials and supplies General and administrative expenses	(29,711)	(35,137
General and administrative expenses		
Sub-total .	(142,388)	(159,739
	(1,850,674)	(1,895,031
Total operating expenses	(1,050,074)	7.7.7.7.
	562,713	622,497
Profit from operations	47,341	43,495
Other income.	(2,468)	(4,208
Finance costs	14 (2,417)	(19
Share of losses of associates before tax	Carlotta Januari Salama Sa	
	4 605,169	661,58
Profit before tax	6 (93,439)	(104,39
Income tax expense	10 X X 40	146 m 148 VO
etivities after tax	511,730	557,19
Profit-from ordinary activities are two	32	(11)
Minority interests		. Sec. a
Profit attributable to shareholders	7 511,762	557,08
		10 m
Earnings per share	8	ne
- Basic	RMB0.12	* RMB0.1
— Dasic		
	N/A	N/.
— Diluted	3. 3. 3k'	

## CONSOLIDATED BALANCE SHEET

As of December 31, 2003

(All amounts in Renminbi thousands)

AND THE RESERVE OF THE PROPERTY OF THE PROPERT	Notes	2003	2002
on-current assets			and the second of the second o
THE PROPERTY OF THE PROPERTY O	10	6,952,878	6,798,280
ixed assets		390,393	672,827
onstruction-in-progress	12	652,083	656,998
easehold land payments	14	140,494	140,842
nterests in associates	15	167,962	166,695
vailable-for-sale investments	16	6,154	7,577
deferred tax assets	17	166,003	_181,095
Deferred staff costs	dente de la companya del companya de la companya del companya de la companya de l	Sales and the sa	201,000
		8,475,967	8,624,314
Current assets		and the second of the second o	11994
Agterials and supplies		38,692	34,105
rade receivables, net	18	80,614	51,457
Due from Parent Company	27(b)		39,374
	27(b)	199,921	267,885
Oue from related parties	19	248,960	260,075
repayments and other receivables, net	20	627,440	567,339
Temporary cash investments.  Cash and cash equivalents	26(b)	1,402,359	1,413,045
		2,597,986	2,633,280
		- 10 May 18 April 10	1. A.
Current liabilities			
Frade payables	21	34,625	41,734
Payables for construction of fixed assets		148,258	181,473
Due to Parent Company	27(b)	37,230	
Due to related parties	27(b)	120,605	158,19
Dividends payable		232	90,663
Taxes payable		49,494	71,84
Accrued expenses and other payables	22	308,793	457,95.
		699,237	1,001,86
Net current assets		1,898,749	1,631,41
Total assets less current liabilities		10,374,716	10,255,72
		52,358	11,57
Minority interests	- 100 - 100	a page of animal for the second of the secon	and the second
Net assets	San San Barra	10,322,358	10,244,15
Representing:			
Share capital		4,335,550	4,335,55
Snare capital Reserves	24	5,986,808	5,908,60
		10,322,358	10,244,15
Total capital and reserves	The Complete Service	10,522,556	10,277,13

Wu Junguang Feng Qifu
Chairman Director

## BALANCE SHEET

As of December 31, 2003

(All amounts in Renminbi thousands)

	Notes	2003	2002
on-current assets	10	6,839,844	6,684,687
xed assets	11	380,543	664,679
onstruction-in-progress	12	637,380	652,496
easehold land payments.	13	215,803	180,236
iterests in subsidiaries	alanti-radio and agreem in 100 String delaration to the consequent arms	140,293	139,574
iterests-in-associates	- 14 14 minutes	All the state of t	166,695
vailable-for-sale investments	15	167,962	To supre-
eferred tax assets	16	6,154	7,577
eferred staff costs	17	166,003	181,095
	ali .	8,553,982	8,677,039
urrent assets		in in the second	
laterials and supplies		24,930	20,82
rade receivables, net	18	25,952	21,91
Due from Parent Company	27(b)		37,57
oue from related parties	27(b)	193,730	263,87
repayments and other receivables, net	-19	203,514	214,73
	20	627,440	562,03
emporary cash investments		1,291,700	1,316,99
ash and cash equivalents	8 <u>8 8 7 8 7 8 8 8 8 8 8 8 8 8 8 8 8 8 8</u>	**************************************	C Date
		2,367,266	2,437,94
Current liabilities	21	23,689	31,08
rade payables	21	143,139	171,81
ayables for construction of fixed assets	27(b)	40,140	
Due to Parent Company	27(b)	112,104	156,90
Due to related parties	27(0)	232	90.66
Dividends payable		43,622	66,29
Taxes payable	22	- 直接を入る機能という。	389.76
Accrued expenses and other payables	. 22	280,308	369,40
		643,234	906,52
Net current assets		1,724,032	1,531,42
Fotal assets less current liabilities		10,278,014	10,208,46
		10.259.014	10,208,46
Vet assets	7 ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) (	10,278,014	10,200,40
Representing:			
Share capital	23	4,335,550	4,335,55
Reserves	24	5,942,464	5,872,91
	1 2 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	The second of the second	44.
Total capital and reserves		10,278,014	10,208,4

Feng Qifu

Same Kar

Wu Junguang E Chairman

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2003

All amounts in Renminbi thousands)		
Notes	2003	2002
		en September 1995
CASH FLOWS FROM OPERATING ACTIVITIES		ا ما خاصون برای به این
Cash generated from operations	900,487	1,261,728
interest paid	(2,359) (00,679)	(4,064) (100,487)
Pax-paid	(99,679)	(100,487)
	798,449	1,157,177
Net cash from operating activities	10 10 10 10 10 10 10 10 10 10 10 10 10 1	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and payments for	(339,208)	(553,337)
construction-in-progress, net of related payables	1,105	12,369
Proceeds from sale of fixed assets	(374)	(4,761)
Increase in interests in associates	(60,101)	777,898
(Increase)/decrease in temporary cash investments	To the state of th	(14,108)
Purchase of available-for-sale investments	23,109	→ <b>32,</b> 942
Interest received		
	(375,469)	251,003
Net cash (used in)/from investing activities		
ON PLONG PROM PINANCING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES	(433,561)	(356,490)
Dividends paid to group shareholders	(105)	(4,153
Dividends paid to minority interests		The stage of the
Not each used in financing activities	(433,666)	× (360,643
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents	(10,686)	1,047,537
Net (uet case//ilicrease-in-cust and case//ilicrease-in-cu	The company of the control of the co	
Cash and cash equivalents at beginning of year	1,413,045	365,508
Cash and cash equivalents at end of year 26(b)	1,402,359	1,413,045

# STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2003

(All-amounts in Renminbi thousands)

			7 18 1 18 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Reserves		7, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2,	A
			Statutory		Discretionary		
Annual Control of the	Share	Share	surplus	welfare	surplus	Retained	m.a.l
No	res capital	premium	reserve	fund	reserve	earnings	Total
Group	v. 74			<b>***</b> *********************************			ingang mengahalah Sajah Perandahan Sajah Perandahan
Balance at January 1, 2002	<b>₩4,335,550</b>	3,984,135	432,108	424,568	341,659	602,603	10,120,623
Profit attributable			Season and the season of		<i>412</i> 4	<u> </u>	
to shareholders						557,083	557,083
Appropriation from	Alan San San San San San San San San San S			Anger Tarrist to an a		d gy. work	
retained earnings 2	4 -		59,301	29,734		(89;035)	
Dividends relating to 2001	9 -				3	(433,555)	(433,555
Balance at January 1, 2003	4,335,550	3,984,135	491,409	454,302	341,659	637,096	10,244,151
Profit attributable			As Server Server				
to shareholders			* 4	y vario glenalništi i se Livos	· **	<b>₹</b> 511,762	511,762
Appropriation from	The way		1.04		The state of the s		
retained earnings 2	<b>4</b> . —		54,165	27,092	, M. –	(81,257)	J. Briggi
Dividends relating to 2002	9 =	T. W.				(433,555)	(433,555
		77.5	O*	7000	1. A	Ly	# 1
	Maria de la companya della companya della companya de la companya de la companya della companya	1854 A.	T. C.				
Balance at		3 084 135	545574	481 394	341.659	634,046	10,322,358
Balance at	4,335,550	3,984,135	545,574	481,394	341,659	634,046	10,322,358
Balance at December 31, 2003		3,984,135		481,394	341,659	634,046	10,322,358
Balance at			-545,574** -414,210	481,394 414,210	341,659	634,046	10,322,358
Balance at December 31, 2003 Company	4,335,550					Company of the compan	10,076,221
Balance at  December 31, 2003  Company  Balance at January 1, 2002	4,335,550					Company of the compan	A STATE OF THE STA
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable	4,335,550			414,210		621,595 565,795	10,076,221
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable to shareholders  Appropriation from retained earnings	4,335,550					5621,595 565,795 (86,419)	10,076,221 565,795
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable  to shareholders  Appropriation from	4,335,550		414,210	414,210	306,521	621,595 565,795	10,076,221
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable to shareholders  Appropriation from retained earnings Dividends relating to 2001	4,335,550 4,335,550	3,984,135	414,210	414,210	306,521	5621,595 565,795 (86,419)	10,076,221 565,795 (433,555
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable to shareholders  Appropriation from retained earnings Dividends relating to 2001  Balance at January 1, 2003	4,335,550 4,335,550	3,984,135	414,210 57,613	28,806	306,521	621,595 565,795 (86,419) (433,555) 667,416	10,076,221 565,795 (433,555
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable to shareholders  Appropriation from retained earnings Dividends relating to 2001	4,335,550 4,335,550	3,984,135	414,210 57,613	28,806	306,521		10,076,221 565,795 (433,555 10,208,461
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable to shareholders  Appropriation from retained earnings  Dividends relating to 2001  Balance at January 1, 2003  Profit attributable	4,335,550 4,335,550	3,984,135	414,210 57,613	28,806	306,521	621,595 565,795 (86,419) (433,555) 667,416 503,108	10,076,221 565,795 (433,555 10,208,461 503,108
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable  to shareholders  Appropriation from  retained earnings  Dividends relating to 2001  Balance at January 1, 2003  Profit attributable  to shareholders  Appropriation from	4,335,550 4,335,550	3,984,135	414,210 57,613	28,806	306,521	621,595 565,795 (86,419) (433,555) 667,416 503,108 (80,076)	10,076,221 565,795 (433,555 10,208,461 503,108
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable  to shareholders  Appropriation from  retained earnings  Dividends relating to 2001  Balance at January 1, 2003  Profit attributable,  to shareholders  Appropriation from	4,335,550 4,335,550 24 — 9 4,335,550	3,984,135	57,613) 471,823	28,806	306,521	621,595 565,795 (86,419) (433,555) 667,416 503,108	10,076,221 565,795 (433,555 10,208,461 503,100
Balance at  December 31, 2003  Company  Balance at January 1, 2002  Profit attributable to shareholders  Appropriation from retained earnings  Dividends relating to 2001  Balance at January 1, 2003  Profit attributable to shareholders  Appropriation from retained earnings	4,335,550 4,335,550 24 — 9 4,335,550	3,984,135	57,613) 471,823	28,806	306,521	621,595 565,795 (86,419) (433,555) 667,416 503,108 (80,076)	10,076,221 565,795 (433,555 10,208,461 503,108

December 31, 2003

(All amounts expressed in Renminbi ("RMB") unless otherwise stated)

## 1. ORGANISATION AND OPERATIONS

Guangshen Railway Company Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") on March 6, 1996 to take over and operate certain railroad and other businesses (the "Businesses").

Prior to the formation of the Company, the Businesses were carried on by the Company's predecessor, Guangshen Railway Company (the "Predecessor"), and certain of its subsidiaries, and in-certain cases, by Guangzhou Railway (Group) Company (the "Parent Company") and certain of its subsidiaries, which were all under the common control and jurisdiction of the PRC Ministry of Railways (the "MOR"). The Predecessor was controlled by and under the administration of the Parent Company. Pursuant to a restructuring agreement entered into among the Parent Company, the Predecessor and the Company on March 8, 1996 and with effect from March 6, 1996 (the "Restructuring Agreement"), the Company issued to the Parent Company 100% of its equity interest in the form of 2,904,250,000 shares of ordinary shares (the "State-owned Domestic Shares") in exchange for the assets and liabilities of the Businesses (the "Restructuring").

In May 1996, the Company issued 1,431,300,000 shares, represented by 217,812,000 H Shares ("H Shares") and 24,269,760 American Depositary Shares ("ADSs", one ADS represents 50 H Shares) in a global public offering for cash of approximately RMB4,214,000,000 to finance the capital expenditures and working capital requirements of the Company and its subsidiaries (the "Group").

The principal activities of the Group are railroad passenger and freight transportation. The Group also operate certain other businesses, principally services in the stations and sales of food, beverages and merchandise aboard the trains and in the stations.

The directors of the Company considered Guangzhou Railway (Group) Company, a state-owned enterprise established in the PRC, to be the ultimate holding company.

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES

## (a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards' ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. This basis of accounting differs in certain material respects from that used in the preparation of the Group's statutory accounts in the PRC, which have been prepared in accordance with generally accepted principles and relevant financial regulations in the PRC ("PRC GAAP"). In preparing these financial statements, appropriate restatements have been made to the Group's statutory accounts to conform with IFRS. Differences arising from the restatements are not incorporated in the accounting records of the Company and its subsidiaries.

The principal adjustments made to conform to IFRS include the following:

- Additional depreciation charges on fixed assets;
- Write-down of reclaimed rails to realisable value
- Difference in the recognition policy on housing benefits to the employees:
- Recording of deferred tax impact according to IFRS;
- Reversal of amortisation of deferred renovation expenses;
- Difference in depreciation charges on fixed assets resulting from reclassification; and
- Recognition of government grants by deducting the carrying value of fixed assets.

The financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at valuation less accumulated depreciation and impairment

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (a) Basis of presentation (cont'd)

During the year, there is a change of accounting estimate in respect of the useful lives of certain fixed assets. Details of such change are set out in Note 2(g) and Note 10.

## (b) Group accounting

The consolidated financial statements include those of the Company and its subsidiaries and also incorporate the Group's interest in associates on the basis as set out in Note 2(c) and 2(d) below. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement, respectively.

All significant intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated on consolidation; unrealised losses are also eliminated unless cost cannot be recovered. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

## (c) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated.

In the Company's financial statements, the Company's share of the post-acquisition profits or losses of subsidiaries is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. An assessment of interests in subsidiaries is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

#### (d) Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control.

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (d) Associates (cont'd)

Investments in associates are accounted for by the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not to recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

In the Company's financial statements, interests in associates are carried at cost less provision for impairment in value. An assessment of interests in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

#### (e) Foreign currency transactions

The Group maintains its books and records in RMB.

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement in the period in which they arise. Translation differences on monetary assets measured at fair value are recognised in foreign exchange gains and losses.

The Group did not enter into any hedge contracts during any of the periods presented.

No foreign currency exchange gains or losses were capitalised for any periods presented

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (f) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, temporary cash investments, trade receivables and payables, other receivables and payables and available-for-sale investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies.

The Group had no derivative financial instruments in any of the years presented.

## (g) Fixed assets

Fixed assets are initially recorded at cost less accumulated depreciation and impairment loss.

Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use.

Subsequent to the initial recognition, fixed assets are stated at cost or valuation less accumulated depreciation and impairment losses. Independent valuations, on a market value basis or depreciated replacement cost basis when there is no evidence of market value for such an item, are performed at least every five years or sooner if considered necessary by the directors. In the intervening years, the directors review the carrying values of the fixed assets and adjustment is made where there has been a material change. Increases in valuation are credited to the revaluation reserve. Decreases in valuation of fixed assets are first offset against increases from earlier valuations in respect of the same asset and are thereafter charged to the income statement. Any subsequent increases are credited to the income statement up to the amount previously charged. Upon the disposal of the fixed assets, the relevant portion of the realised revaluation reserve of previous valuations is transferred from the revaluation reserve to retained earnings and is shown as a movement in reserves.

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (conf'd)

## (g) Fixed assets (cont'd)

Depreciation is calculated using the straight-line method to write off the cost or revalued amount, after taking into account the estimated residual value of 4% to 10% of cost, of each asset over its estimated useful life. Effective from January 1, 2003, the Group changed the estimated useful lives of track, bridges and service roads from 44 years to a range from 55 years to 100 years and changed the useful lives of locomotives and rolling stock from 16 years to 20 years. Effect of such change of accounting estimates to the consolidated income statement for the year ended December 31, 2003 is set out in Note 10. The estimated useful lives are as follows:

Buildings 25 to 40 years

Leasehold improvements over the lease terms

Track, bridges and service roads 55 to 100 years

Locomotives and rolling stock 20 years

Communications and signalling systems. 8 to 20 years

Other machinery and equipment 7 to 25 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

## (h) Construction-in-progress

Construction-in-progress represents plant and facilities, including railroad stations and maintenance facilities under construction and machinery pending for installation. This includes the costs of construction and acquisition. No depreciation is provided on construction in progress until the asset is completed and put into use.

December 31, 2003

## PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (i) Leasehold land payments

All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land for its rail line, stations and other businesses. The premium paid for such leasehold land payments represents pre-paid lease payments, which are amortised over the lease terms of 36.5 to 50 years.

## (j) Impairment of long lived assets

Fixed assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

#### (L) Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale investments; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. All purchases and sales of available-for-sale investments are recognised on the date that the transaction is effective. Cost of purchase includes transaction costs. Available-for-sale investments are not subsequently fair-valued because they do not have quoted market prices in active markets and whose fair values cannot be reliably measured. These investments are carried at cost, and are subject to review for impairments.

## (I) Deferred staff costs

The Group have finalised a scheme for selling staff quarters to its staff in 2000. Under the scheme, the Group sold certain staff quarters to their employees at preferential prices as housing benefits to the employees. The total housing benefits, which represented the difference between the net book value of the staff quarters sold and the proceeds collected from the employees, are expected to benefit the Group over 15 years, which is the estimated remaining average service lives of the employees participating in the scheme. Upon the sales of staff quarters to the employees, the housing benefits incurred are recorded as deferred staff costs and amortised over the remaining average service lives of the employees participating in the scheme.

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (m) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### (n) Materials and supplies

Materials and supplies consist mainly of items for repair and maintenance of track, and are stated at weighted average cost. Materials and supplies are expensed when used.

## (o) Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

## (p) Temporary cash investments

Temporary cash investments represent short-term deposits with original maturities ranging from three months to one year, which are held for investment purpose and are stated at cost.

## (q) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other financial institutions, other short-term highly liquid investments with original maturities of three months or less.

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (r) Income tax expense

The Group provides for income tax expense on the basis of the results for the year as adjusted for items which are not assessable or deductible for income tax purposes. Taxation of the Group is determined in accordance with the relevant tax rules and regulations applicable to enterprises established/incorporated in the PRC.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (s) Employee benefits

Pursuant to the PRC laws and regulations, contributions to the basic old age insurance for the Group local staff are to be made monthly to a government agency based on 26% of the standard salary set by the provincial government, of which 18% is borne by the Company or its subsidiaries and the remainder 8% is borne by the staff. The government agency is responsible for the pension liabilities relating to such staff on their retirement. The Group accounts for these contributions on an accrual basis and charges the related contributions to income in the year to which the contributions relate.

## (t) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of fixed assets are deducted against the carrying value of the fixe assets and are credited to the income statement on a straight-line basis over the useful lives of the fixed assets.

December 31, 2003-

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

## (u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

#### (v) Revenue recognition

Provided it is probable that the economic benefits associated with a transaction will flow to the Group and the revenues and costs, if applicable, can be measured reliably, revenue is recognised on the following bases:

## (i) Rendering of services and sales of goods

Railroad revenues are recognised when services are performed. Revenues from other businesses include sales aboard the trains and in the stations of food, beverages and other merchandise and revenues from operating restaurants in major stations. Revenues from operating restaurants are recognised when services are rendered.

Sales aboard the trains and in the stations of food, beverages and merchandise are recognised upon delivery, when the significant risks and rewards of ownership of these goods have been transferred to the buyers.

Revenues are net of turnover tax.

## (ii) Interest income

Interest income from bank deposits is recognised on a time proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

## (iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

December 31, 2003

## 2. PRINCIPAL ACCOUNTING POLICIES (cont'd)

#### (w) Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

#### (x) Segments

Business segments: for management purposes the Group are organised into railroad transportation and other business operations. The divisions are the basis upon which the Group reports their primary segment information. Financial information on business segments is presented in Note 3.

Intersegment transactions: segment revenues, segment expenses and segment performance include transfers between business segments. Those transfers are eliminated on consolidation.

#### SEGMENT INFORMATION

## (a) Business segments

The Group conducts the majority of its business activities in railroad and other business operations (see Note 1). These segments are determined primarily because the senior management makes key operating decisions and assesses performance of the segments separately. The accounting policies of the Group's segments are the same as those described in the principal accounting policies in Note 2. The Group evaluates performance based on profit from operations. Segment assets consist primarily of fixed assets, materials and supplies, receivables and operating cash, and mainly exclude deferred tax assets and interests in associates. Segment liabilities comprise operating liabilities and exclude taxes payable. Capital expenditure comprises additions to fixed assets (see Note 10) and construction-in-progress (see Note 11).

December 31, 2003

# 3. SEGMENT INFORMATION (cont'd)

# (a) Business segments (cont.d)

An analysis by business segment is as follows:

A 14 A A A A A A A A A A A A A A A A A A	Railroad b	usinesses	Other bu	sinesses	* Unallo	cated		nination	Total	1 2 1/2
	2003	2002	2003	2002	2003 RMB/000	2002 RMB 000	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
	KWR 000	RMB'000	KMD 000	RMB'000	h MIZD 199	A STATE	Albert (1865)	100 E		10 Jan 1 1 1
Revenues .		2.200.000	144,370	156,893				de -	2,413,387	2,517,528
— External — Inter-segment	2,269,017 —	2,360,635	52,172	75,188			(52,172)	(75,188)	-	
	2,269,017	2,360,635	196,542	232,081	\$	1 / 2	(52,172)	(75,188)	2,413,387	2,517,528
The state of the s		*17 w	35.78	1.00	91.00		, 7 <sub>1</sub> , 5		562,713	622,497
Segment results Other income	560,731 46,158	625,343 - 37,692	1,982 1,183	(2,846) 5,803		i u Pi	in N − periodel <del>+</del>		47,341	43,495
Including:	10,120	\$ 18	N Property	4	4 1 7		36. 35. <u> </u>		29,755	36,920
Interest income	29,349	36,281	406	639	(2,468)	(4,208)			(2,468)	(4,208)
Finance costs Share of losses of					¥ 7				(2,417)	(197)
- associates before tax	(2,417)	(197)	d —	on programming of the second				grap garantan	(93,439)	(104,391)
✓ Income tax expense Minority interests			X	S Sparson				en e	32	(113)
Profit attributable to	iru ji				Japan Spagner	All the state of t		etakomakiri ka Kacamatan	on Arrest Sartist	
shareholders				and No.					511,762	557,083
Other information						16.74	5 A. D			
	10,082,637	10,147,098	844,668	962,077					10,927,305	11,109.175 7,577
Deferred tax assets Interests in associates	140 494	139,972	_	- 870	6,154	7,577		1 1 -	140,494	140,842
	2 Juliu 2 1 3 0 1 1 2 1			" Sa , jewy	orani bajira				11,073,953	11,257,594
Total assets	L Y			Hets	ando phi			Maria .		
Segment liabilities	429,123	678,303	220,620	251,719	49,494		hi.		649,743 49,494	930,022 71,844
*Taxes payable				Town said	TOTAL TOTAL	gas vas			699,237	1,001,866
Total liabilities	(V) - (V)	The second		April 1986 19	nger Mikadi Kalansa				· · · · · · · · · · · · · · · · · · ·	F. F. Way, v
Capital expenditure	298,890	<b>526,700</b>	7,103	8,330	lga, ÷		aliers. <del>-</del>		305,993	535,030
ni Alia Maria Angaraga Maria Maria Maria					FW.Z	i VI			سرک به بردادد آدر دیدگارسیده در	
Non-cash expenses  Depreciation	290,014	335,508	1,639	2,289			-	_	291,653	337,797
— Amortisation of lea	sebold		,		des de la company				15,602	15,131
*land payments	15,602	4 5 6		W.	r VI T				15,002	15,131
— Provision for			***	galovij (Augeloi) 1977 - Honor Honor 1978 - Honor Honor			Jay Spil		Charles to the second s	, E00
doubtful account	123	4,257	∍ 49	34		A Take Na Paul F		- Jung	- 172	4,598
Amortisation of				s ili	Jújí				r Tagail	
deferred staff co	sts 15,092	15,092						No.	15,092	15,092
				Security 1	*** **********************************			98, 1984	1.1	artintesi

December 31, 2003

## SEGMENT INFORMATION (cont'd)

## Geographical segments

For the year ended December 31, 2003, all of the Group's business operations are conducted 2003. in the PRC. 

PROFIT BEFORE TAX

The following items have been (credited)/charged in arriving at profit before tax:

	2003 RMB'000	2002 RMB 000
	(29,755)	(36,920)
Interest income (included in other income)		(2,400)
Investment income (included in other income)	(7,897)	(2,400)
Finance costs		and a second second
— Interest expenses for balances with related parties wholly		y
repayable within five-years		4,064
— Bank charges		144
Staff costs		
_Salaries and wages	214,502	231,720
— Provision for staff welfare and bonus	163,006	174,807
Retirement benefits	39,999	31,858
Employee benefits	18,779	17,864
Amortisation of deferred staff costs (included in general		
and administrative expenses of railroad businesses)	15,092	15,092
Operating lease rentals of locomotive, machinery and equipment	173,950	211,896
Depreciation of fixed assets		region and a second
— Included in railroad businesses	290,014	335,508
Included in other businesses	1,639	2,289
Loss on disposal of fixed assets	16,935	29,339
Cost of materials and supplies		SITTEM TOWN
— Included in-railroad businesses	216,993	192,141
— Included in other businesses	112,677	124,602
Repair costs, excluding materials and supplies	89,640	102,377
Provision for doubtful accounts	172	4,598
- [편집 ] 캠페(MAN) - 프로그램이 아이트 2000 - 2000 - 2000 - 1000 ( 하고네이트를 하고 있다 1000 - 2000 - 1000 ( ) - 2000 - 1000 (	3,300	3,300
Auditors' remuneration  Amortisation of leasehold land payments	15,602	15,131

December 31, 2003

# 5. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors', supervisors' and senior executives' emoluments were as follows:

	2003	2002
	. RMB'000	RMB'000
		Alternation of the state of the
Fees for executive directors	371	461
Fees for non-executive directors	309	255
Fees for supervisors	i sizili. Tir sama siikussa ta ta	A A CANADA A Canada Canada A Canad
Other emoluments for executive directors		
- Basic salaries and allowances	59	64
— Bonus		
— Retirement benefits	12	14
Other emoluments for non-executive directors	69	46
Other emoluments for supervisors	321	397
Emoluments for senior executives	The state of the s	Comes T
Basic salaries and allowances	198	124
<b>Bonus</b>	360	276
Retirement benefits	18	
	1,717	1,649

No directors, supervisors or senior executives waived any emoluments during the year.

(b) Analysis of directors' emoluments by number of directors and emolument ranges was as

	Market Co.	A Service of Buch	Company of the second	1 E 100	· · · · · · · · · · · · · · · · · · ·		What	3.8
		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	gard 1 d year			are transcriptional consumption	and the second s	100 minutes (1) 100 minutes (1
Executive di	Total			Andrew was to		gPosyid.		
and the second second				21 000 000				<b>5</b> **
— NH-10-	HK\$1,000,00	0-(equivai	ent to Kivii	31,000,000		September 1 200 mile Project 2 miles		
- NH 10	HK\$1,000,00	o-(equivai	encto-Rivir	31,000,000		and a second		
Life of some	Contain production of the contains of the cont	o (equivar	Ent to KWI	B1,000,000				
Non-executi	Contain production of the contains of the cont							4

December 31, 2003

# 5. DIRECTORS', SUPERVISORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

(c) Details of emoluments paid to the five highest paid individuals (including directors and supervisors) were as follows:

	2003	2002
	RMB. 2000	RMB'000
Fees for directors	461	618
Basic salaries and allowances	81	62
Bonus	73	11
Retirement benefits		
	POTENTIAL SET OF SERVICE SALES AND ASSESSED.	× × × × × × × × × × × × × × × × × × ×
	624	
	2003	2002
Number of directors  Number of supervisors		
		The second secon
	The second secon	

(d) Analysis of emoluments paid to the five highest paid individuals (including directors and supervisors) by number of individuals and emolument ranges was as follows:

- 144 - 374		AT THE		The co	J. 40.	1997, pt 1		2003	10 May 2010	2002
	e and a		A Prince	enkini. 12 14 5	S. Barrella	A	4 5	Calmar Land		
	- 79,5T Tb	W 75 X 101	with the state of	FO TOME	Pienes Pienes	7.0		M. 30 195	11.00	ety and
and the	- 7	100	****			- Carlot	學力		Salah Sa	4 1 97 1
	Marie Landing		A Line of Land	The second se			in the same of	and a second	er Saure en la grande	All the second
Nil	to HK\$	1.000.0	00 (equival	ent to RN	IB1,060,0	)(UU)  °	Section 1	%, <sub>~</sub> , , <b>3</b> .	The State of the S	
	700	1882	7 - 3 - 3 - 3 - 3 - 3 - 3 - 3 - 3 - 3 -	West of the second		Apr	45		and the second control of	

During the year; no emolument (2002: Nil) were paid to the five highest paid individuals—(including directors and supervisors) as inducement to join or upon joining the Group or as compensation for loss of office.

December 31, 2003

#### 6. INCOME TAX EXPENSE

Enterprises established in Shenzhen Special Economic Zone are subject to income tax at a reduced rate of 15% as compared with the standard rate for PRC companies of 33%. The Shenzhen Municipal Tax Bureau confirmed in 1996 that the Company is subject to a reduced income tax rate of 15% starting from the same year. The income tax rate of the Company for the year ended December 31, 2003 is 15%.

According to the relevant income tax laws, other businesses of the Group are subject to income tax rates of 15% or 33%, depending mainly on their places of incorporation/establishment. Furthermore, certain subsidiaries engaged in other businesses are Sino-foreign joint ventures which are entitled to full exemption from the PRC income tax for two years and a 50% reduction in the next three years starting from the first profit-making year, after offsetting available tax losses carried forward from prior years.

Save as described above, the directors of the Company are not being informed of any change in the enterprise income tax treatment applicable to the Group.

Details of taxation charged to the consolidated income statement during the year were as follows:

	2003	2002
	RMB'000	RMB'000
Provision for PRC income tax	91,925	106,649
Deferred tax loss/(income) resulting from provision for doubtful accounts	316	(1,173)
Deferred tax loss/(income) resulting from loss on the disposal of fixed assets	1,107	(1,211)
Share of tax of associates	91	126
	93,439	104,391

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## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

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#### 6. INCOME TAX EXPENSE (cont'd)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of of the Company as follows:

2003	2002
RMB'000 RM	B'000
Accounting profit 605,169 66	51,587
Income tax at the statutory tax rate of	gist aggregation of
15% (2002:15%) 90,775	99,238
Tax effect of expenses that are not	
deductible in determining taxable profit:	0.064
— Amortisation of deferred staff costs 2,264	2,264
Effect of different tax rates for	0.000
certain subsidiaries 400	2,889
93,439	04.391
Income tax expense	

#### 7. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

In the consolidated profit attributable to shareholders for the year, approximately RMB503,108,000 (2002, approximately RMB565,795,000) was dealt with in the financial statements of the Company.

#### 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year attributable to ordinary shareholders of RMB511,762,000 (2002: RMB557,083,000), divided by the weighted average number of ordinary shares outstanding during the year of 4,335,550,000 shares (2002: 4,335,550,000 shares). No diluted earnings per share was presented as there were no dilutive potential ordinary shares as of year end.

#### 9. DIVIDENDS

In 2003, the directors have recommended and declared a final dividend of RMB0.10 (2002: RMB0.10) per share in respect of the financial year ended December 31, 2002, totalling RMB433,555,000 (2002: RMB433,555,000).

December 31, 2003

-رىغىي

# 10. FIXED ASSETS

	<u> </u>	<u> </u>	To the second	Group Locomotives Cor	mmunications	Other	
a free factor of the		- Leasehold	Tracks,  bridges and	X 8	nd signalling	machinery	
an water they may be	Buildings.	improvements	service roads	rolling stock	10 March 1980	d equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	AND SO	Na Na					of Jane 1997
				1			A STATE
ost or valuation	1,941,156	38,500	4,245,546	1,026,205	297,106	1,585,712	9,134,225
t beginning of year	260	20,200		21,679	916	32,823	55,678
dditions ransfer from	-200		PK 12.00 - MAX				
construction-in-progress	209,479		123,832		720,	198,718	532,749
Sovernment grants	(17,000)	19 (19)			ar 3 <del>4</del> *		(17,000
overnment grants (eclassification*	(154,024)		(37,113)	in the second	5,936	185,201	1 1112
	(92,503)	1 327	(16,560)	(4,992)	(4,600)	(33,116)	(151,771
Disposal <b>s</b> .		7 A A	1 .08	ELECTION CO.	- 7 17 17 17 17 17 17 17 17 17 17 17 17 1		<u>~:07::-</u>
At end of year	1,887,368	38,500	4,315,705	1,042,892	300,078	1,969,338	9,553,881
stend of year	3007,000	She San San		4 INELIE	Surface Conference		
Representing:	Andreas State of the second					. ۱۳۹۱ این سره که پرسویهن	appropriate and the second
PARKET AND A SE	220,433	38,500	164,088	22,549	48,092	287,127	780,789
At 2002 professional valuation	1,666,935		-4,151,617-	1,020,343	251,986	1,682,211	8,773,09
The coor professional valuation	- 1/3 x30002733		A STATE OF THE STA	wa i	ou Tase de la composición della composición dell	Maria Service	
	1,887,368	38,500	4,315,705	1,042,892	300,078	1,969,338	9,553,88
Mark Mark Comment	175	A STATE OF THE STA	36.65°	2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 - 2 -		The state of the s	18
Accumulated depreciation	Company Catalogue		- 10 m				
At beginning of year	376,192	13,475	1,037,553	271,152	178,397	459,176	2,335,94
Charges for the year		7,700	46,476	47,648	34,144	101,286	291,65
Reclassification*			(16,682)		563	16,119	<u>-</u>
Disposals	(921)		(2,550)	(4,992)	(4,417)	(13,715)	(26,59
nichosais in the	(32)	They Tong O	3880L 31 3	2006 Ce /	Andrews San		and the second s
At end of year	429,670	21,175	and the case of the same of the	313,808	208,687	562,866	2,601,00
Prome of Jens		70 TO 100	Carlotte Control of the Control of t	The state of the s	an 4 26		7. 7.
Net book value							
At end of year	1,457,698	17,325	3,250,908	729,084	91,391	1,406,472	6,952,87
Ut ring or Year.	,,,,,,,,,,,	I JAKES	1, x	** ***********************************	North Control	2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
			2.002.002	TEENET	118,709	1,126,536	6,798,28
At beginning of year	1,564,964	25,025	3,207,993	755,053	110,/07	1,120,330	0,170,20
			58 223 10 85 10			en en agrande de deserviciones de la companya de la	
Had the fixed asse	ts been carri	ed at cost	less accumi	ilated depre	ciation, the	carrying at	nounts a
December 31, 2003				4. (117.)			4.
To take the second	region of the same		and the	Van Tobe welle		# 7 5 4 5 ## 1 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	
Cost	1,048;829	38,500	3,537,104	1,019,170	269,152	1,853,887	7,766,6
Accumulated depreciation	214,612	21,175	. Selface	256,906	189,263*	513,581	1,892,3
raccamaracca achiectarion	Maria A	1 25	3.6		W. W.A.	787, 781 V	41.000
en e	834,217	17,325	2,840,251	762,264	79,889	1,340,306	5,874,2

# NOTES TO THE FINANCIAL STATEMENTS December 31, 2003

# 10. FIXED ASSETS (cont'd)

Buildings RMB 000	Leasehold improvements RMB '000	Tracks, bridges and service roads RMB*000	Locomotives Co and rolling stock RMB 000	and signalling	Other machinery and equipment RMB'000	Total RMB 000
RMB'000	improvements RMB 000	service roads	rolling stock	systems	and equipment	194
RMB'000	RMB 000	T	<ul> <li>55 TOTAL TOTAL</li> </ul>	75.284	·4 1 1	1.70
galary.		RMB(000	RMB 000	RMB 000	RMB'000	RMB'000
	38 500		and the second	SERVICE CONTRACTOR	Crist in the Table of the Control of	
	38 500 =		man - ethol in influence on an			Solding and appropriate to the A
1,831,523	38.500 =		ار از دیگری در اور پرور در در در این این در در در دور	4 - 100 mm m 100 mm 177 15 mm 177 mm		S max my 16 - 196 mgs
ta did		4,171,001	1,026,205	297,021-	1,541,068	8,905,318
15 ded	Agent Medical Community of the Community		21,679	917	28,357	50,953
error secondario		Soit and the		an Destruction of the	The state of the state of	nary i ray
208,568	- P	123,833		720	197,499	530,620
(17,000)		*1		1.4.4	7130 xt 1 474 - 1	(17,000)
3.407		6,843		-5,936	185,201	
1 C 5d W		(16,560)	(4,992)	(4,600)	(30,982)	(149,341)
A TANK	6 76 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	ZZSSec	and the second	7.1° 25/38 18 18 18	V 201 43 V 200 4	h shev
1.732.904	38,500	4,285,117	1,042,892	299,994		9,320,550
10	Topic Vince	10 m (20 Territor) 10 m (20 Territor)	* 100		8	
	# 24	A Park		The second second	Paul	7.35 j
216 956*	38.500	164,088	22,549	48,092	279,799	769,984
		2000 Mary 1994 - Araban Araban and Araban Ar	1,020,343	251,902	1,641,344	8,550,566
	44.5 4.7 E	Tap 4	73197 - Mineste	Controlled in the controlled on the controlled o	population 1. F. in Francis (Paris not all 1986)	A Section of the Sect
1 732 004	38 500	4.285.117	1,042,892	299,994	1,921,143	9,320,550
111221501	12. 30.			V 1.7	18° 5 5	
					<b>请</b> 独自400	Fr. Trans
326 986	13 475	1.002.182	271,152	178,371	428,465	2,220,631
	17 - Fair (14)	2000 E		34,142	98,137	284,681
		78		563	16,119	- No-
9.54	Alex State Continue on	(2.550)	-(4,992)	* (4,417	) 🐖 🗀 (11,947)	(24,606
(,,00)	SEATOR		4	- 30		- x y'
250 814	71 175	1 046 456	313,808	208,659	530,774	2,480,706
337,034	tan ya Marka Militari (d.)				2-15 1 207 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	wasing the second
			A A STATE OF THE S		<b>24.</b>	بنقات خشانت و
1 272:076	17 275	3-238-661	729 084	91.335	1,390,369	6,839,844
1,5/5,0/0	- g - 11,525	3,235,001	14.7 (a. Marie)		Patent Laure Six	XXX
			7 (d.) (d.) 20 (d.) (d.)		To the con-	£ 604 600
1,504,537	25,025	-3,168,819	755,053	118,650	# 1,112,603	6,684,687
19 18 <b></b>	6			Arr. Mer	Village and a second	and The Contract
en carr	ied at cost	less accum	ulated depre	ciation, th	e carrying	amounts at
					4 <b>.</b> Februari	
in Have	Jeen.	V. a. Her Silver			¥2	and the second
904-166	20 500	3 506 516	1.019171	269.067	1.805.692	7,533,31
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147,003	2451/2	0,0,012	27,5270	A Section 1		**************************************
To a State	9947 <b>87</b> 4745577	THE STATE OF THE S	age of the second		168. mch.	r in an it. See the second
746,702	12.702	2,828,004	747,981	79,826	1 122 340	5,742,17
	(197,980) (92,207) 1,732,904 216,956 1,515,948 1,732,904 326,986 50,308 (16,760) (700) 359,834 1,373,070 1,504,537 en_carr Id have	(197,980) — (92,207) — (92,207) — (92,207) — (92,207) — (92,207) — (1,732,904) — (16,956) — (15,15,948) — (15,15,948) — (16,760) — (16,760) — (17,00) — (17,325) — (15,04,537) — (17,325) — (15,04,537) — (25,025) — (16,760) — (17,325) — (15,04,537) — (17,04,04) — (17,0	(197,980) — 6,843 (92,207) — (16,560) 1,732,904 — 38,500 — 4,285,117 216,956 — 38,500 — 164,088 1,515,948 — 4,121,029,4 1,732,904 — 38,500 — 4,285,117 326,986 — 13,475 — 1,002,182 50,308 — 7,700 — 46,746 (16,760) — 78 (700) — (2,550) 359,834 — 21,175 — 1,046,456 1,373,070 — 17,325 — 3,238,661 1,504,537 — 25,025 — 3,168,819 en_carried_at_cost_less_accumuld have been: 894,365 — 38,500 — 3,506,516	(197,980)       -       6,843       -         (92,207)       -       (16,560)       (4,992)         1,732,904       38,500       4,285,117       1,042,892         216,956       38,500       164,088       22,549         1,515,948       -       4,121,029       1,020,343         1,732,904       38,500       4,285,117       1,042,892         326,986       13,475       1,002,182       271,152         50,308       7,700       46,746       47,648         (16,760)       -       78       (4,992)         359,834       21,175       1,046,456       313,808         1,373,070       17,325       3,238,661       729,084         1,504,537       25,025       3,168,819       755,053         en carried at cost less accumulated depressed to the cost less accumulated to the cost less accumulated depressed to the cost less accumulated to the co	(197,980)       6.843       5936         (92,207)       (16,560)       (4,992)       (4,600)         1,732,904       38,500       4,285,117       1,042,892       299,994         216,956       38,500       154,088       22,549       48,092         1,515,948       4,121,029       1,020,343       251,392         1,732,904       38,500       4,285,117       1,042,892       299,994         326,986       13,475       1,002,182       271,152       178,371         50,308       7,700       46,746       47,648       34,142         (16,760)       78       563         (700)       (2,550)       (4,992)       (4,417)         359,834       21,175       1,046,456       313,808       208,659         1,373,070       17,325       3,238,661       729,084       91,335         1,504,537       25,025       3,168,819       755,053       118,650         en carried at cost less accumulated depreciation, the life have been:       269,657         894,365       38,500       3,506,516       1,019,171       269,067	(197,980)       —       6,843       —       5,936       185,201         (92,207)       —       (16,560)       (4,992)       (4,600)       (30,982)         1,732,904       38,500       4,285,117       1,042,892       299,994       1,921,143         216,956       38,500       164,088       22,549       48,092       279,799         1,515,948       —       4,121,029       1,020,343       251,902       4,641,344         1,732,904       38,500       4,285,117       1,042,892       299,994       1,921,143         326,986       13,475       1,002,182       271,152       178,371       428,465         50,308       7,700       46,746       47,648       34,142       98,137         (16,760)       —       78       —       563       16,119         (700)       —       (2,550)       (4,992)       (4,417)       (11,947)         359,834       21,175       £046,456       313,808       208,559       530,774         1,373,070       17,325       3,238,661       729,084       91,335       1,390,369         1,504;537       25,025       3,168,819       755,053       118,650       1,112,603         en_

Snangshen Railway Company Limited

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

#### 10. FIXED ASSETS (cont'd)

During the year ended December 31, 2003, based on the construction completion reports, the directors reclassified certain fixed assets to appropriate categories. Accordingly, the carrying amounts of the aforesaid fixed assets are depreciated over their remaining useful lives under the respective categories.

On March 6, 1996, the fixed assets of the Group were revalued by Vigers Hong Kong Limited (the "Valuer"), a qualified independent valuer in Hong Kong, using a replacement cost approach and open market value approach. The replacement cost approach considers the cost to replace in new condition the assets appraised for similar assets, and includes purchase price, delivery charge and installation cost. The purchase price is based on the open market value. The Valuer assumed that the assets will be used for the purposes for which they are presently used and did not consider alternative uses. The total revalued amount based on the aforesaid 1996 revaluation was RMB5,318,202,000. The revaluation surplus of fixed assets amounting to approximately RMB1,492,185,000 was recorded by the Group as of March 6, 1996, and depreciation on the increment to fixed assets commenced on that date. Upon the Restructuring, the revaluation surplus was converted to shares allotted to the Parent Company.

On September 30, 2002, the fixed assets were revalued by Pan-China (Schinda) Certified Public Accountants, a qualified independent valuer registered in the PRC, on a replacement cost approach and open market value approach, where applicable. These fixed assets were stated at their revalued amounts in the financial statements as of September 30, 2002.

The directors of the Company are of the opinion that the carrying values of fixed assets as of December 31, 2003 approximated to their fair values.

With reference to "Cai Jian Han (2002) No. 42" and "Cai Jian Han (2002) No. 349" issued by Ministry of Finance ("MOF") and "Ban Cai Fa (2003) No. 10" issued by MOR and to further comply with international practice in railway industry, the management reassessed the estimated useful lives and depreciation rates of fixed assets. The assessment is based on the experience and maintenance program established by the management and the engineering personnel. Effective from January 1, 2003, the Group changed the estimated useful lives of track, bridges and service roads from 44 years to a range from 55 years to 100 years and changed the useful lives of locomotives and rolling stock from 16 years to 20 years. This change in accounting estimates resulted in a decrease in depreciation expenses and an increase in profit attributable to shareholders for the year ended December 31, 2003 by approximately RMB 63,610,000.

December 31, 2003

#### TT CONSTRUCTION-IN-PROGRESS

Group	Com	pany
2003 2002	2003	2002
RMB'000 RMB'000	RMB'000	RMB'000
At beginning of year 446,399	664,679	438,732
Additions 250,315 382,918	246,484	376,775 (5,102)
Disposals (10,204) Transfer to fixed assets (532,749) (146,286)		(145,726)
At end of year 390,393 672,827	380,543	664,679

As of December 31, 2003, there was no interest capitalised in the construction-in-progress as the Group had no bank borrowings.

Disposals in 2002 mainly represented injection in available for sale investments (see Note 15).

### 12. LEASEHOLD LAND PAYMENTS

	Grou 2003	P 2002		any 2002
	73Y990	RMB'000	RMB'000	RMB'000
	AND AND SECTION AND SECTION AND SECTION ASSESSMENT			
Cost	760,087	762,087	755,760	755,760
At beginning of year Additions	10,687	)		Agents a
Disposals		(2,000)		
		760,087	755,760	755,760
At end of year	770,774	7,00,007		
Accumulated amortisation				
At beginning of year	103,089	88,341	103,264 15,116	88,237 15,027
Amortisation charge	15,602	15,131 (383)	15,110	15,02,
Disposals	Y AND Y			
At end of year	118,691	103,089	118;380	103,264
				a Designation
Net book amount At end of year	652,083	656,998	637,380	652,496
	40	XX - ANA / A	(200 Ag. 27 Co.)	
At beginning of year	656,998	673,746	652,496	667,523

December 31, 2003

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### 13. INTERESTS IN SUBSIDIARIES

In the balance sheet of the Company, interests in subsidiaries as of December 31, 2003 comprised the following.

	Company
	2003 2002
	RMB'000 RMB'000
The state of the s	
Unlisted shares, at cost	185,232 118,892 30,571 61,344
Due from subsidiaries	
	215,803 180,236
Company and a second of the control	

The amounts due from subsidiaries were unsecured interest free and had no fixed repayment terms.

The Company's directors are of the opinion that the recoverable amount of its investments in its subsidiaries was not less than the Company's carrying value of the subsidiaries as of December 31,, 2003.

As of December 31, 2003, the Company had direct or indirect interests in the following principal subsidiaries which were incorporated/established and are operating in the PRC:

		Percentage of		
	Date of 👢	equity interest		
	incorporation/	attributable to		Principal activities
Name of the entity	establishment	the Company	Paid-up capital	Principal activities
Directly held by the Company				
Shenzhen Guangshen Railway	March 1; 1984	100%	RMB55,000,000	Construction of railroad
· Civil Engineering Company				properties
		1 100%	DMR18 500 000	Hotel management
Shenzhen Fu Yuan Enterprise	November 1, 199	100%	KIND 10,300,000	
Development Company				
Shenzhen Guangshen Railway	August 16, 1995		RMB2,400,000	Travel agency
Travel Service Ltd			And the second s	
		4	RMB2.110,000	Maintenance of water
Shenzhen Jing Ming Industrial &	the decide with the second			and electrical
Commercial Company Limited				equipment
			(17)。例如 <u>维也</u>	Same St.

December 31, 2003

# 13. INTERESTS IN SUBSIDIARIES (cont.'d)

Name of the entity	N. 4 L. 7	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Directly held by the Company (con	(t,d)			
	December 6, 1993	100%	RMB2,000,000	Construction materials
Shenzhen Jian Kai Trade Company	December 6, 1995			trading
Shenzhen Xiang Qun Enterprise	June 30, 1994	100%	RMB2,000,000	Sales of merchandise
Company			The Spanners Server	
Shenzhen Railway Station	December 18, 1986	100%	RMB1,500,000	Food services and sale
Passenger Services Company				of merchandise
Shenzhen-Guangshen Railway	August 31, 1999	100%	RMB1,040,000	Repair and maintenance
Electric Section Service Limited				of railroad communications
				systems
			RMB1,020,000	Sale of merchandise
Guangzhou East Station Dongqun  Trade and Commerce Service	November 23, 199	2 100%	KMD1,029,990	
Company				
	January 1, 1990	75%	RMB2,129,400	Food services and sales
Shenzhen Railway Station Travel Service Company				of merchandise
	September 11, 19	ý3 55%	RMB10,000,000	Cargo loading and
Shenzhen Longgang Pinghu Qun Yi Railway Store Loading	д з			unloading,
and Unloading Company				warehousing, freight transportation
Dongguan Changsheng	May 22, 1992	51%	RMB38,000,000	) Warehousing
Enterprise Company				and a supplementary of the sup

December 31, 2003

# 13. INTERESTS IN SUBSIDIARIES (cont.'d)

Name of the entity	Date of e	Percentage of equity interest attributable to the Company	Paid-up capital	Principal activities
Indirectly held by the Company  Shenzhen North Station Loading  and Unloading Transportation  Company	September 20, 1993	100%	RMB3,750,000	Cargo loading and unloading, freight transportation
Shenzhen North Station Auto Repair Plant Shenzhen Railway Property	April 19, 1993.  November 13, 2001			Repair and maintenance of vehicles.  Property management
Management Company Limited  Shenzhen Nantie Construction  Supervision Company	May 8, 1995		RMB2.000.000	construction projects
Shenzheu Guangshen Railway  Economic and Trade  Enterprise Company	March 7: 2002	100%		Culinary management  Maintenance of
Shenzhen North Station Railway Industry Technology Development Company Shenzhen Yuezheng Enterprise	March 10, 1993  June 24, 1996	100%		equipment Freight transport agency,
Company Limited			DAUDT: 000 0000	cargo loading and unloading, warehousing  Freight transportation
Shenzhen Road Multi-modal Transportation Company Limited All the above subsidiaries an		companies.	6 RMB1,000,000	o. Clerkiir Haisboitarion

December 31, 2003

# 14. INTERESTS IN ASSOCIATES

	Grou	p.	Compa	any .
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
	RMB 000	AMA CONTRACTOR	- 1960 ( Tex. ) L	
		للزياني والمتهارك	in the company of the second pro-	
Unlisted shares, at cost			134,263	135, <u>306 r</u>
AND THE RESERVE OF THE PERSON	134,066	136.574		
Share of net assets		48,095	48,036	48,095 ×
Due from associates	48,437		Cont.	AND THE RESERVE
Due to associates	(8)	(40)	(5)	(40)
	To Report May 1			4.75
	182,495	184,629	182,294	183,361
and the second s	TAN TAN AMERICA		**can_con\	(29,689)
Less: Provision for impairment in value	(29,689)	(29,689)	(29,689)	
Provision for doubtful accounts	(12,312)	(14,098)	(12,312)	(14,098)
	·		**************************************	A SECURITY AND ASSESSED OF THE PARTY OF THE
	40.404	1.40,842	140,293	139,574
	140,494	140,042	140,275	
A CONTRACTOR OF THE PROPERTY O	-9 - 28	ver say No. 15	ا ا ا	¥ 14 * 2 5 ki

Analysis of share of net assets of the associates is as follows:

	Group
	2003 2002
	RMB'000 RMB'000
	136,574 117,477
Atabeginning of year Addition	<u> </u>
Share of losses before tax	(2,417) (197) (91) (126)
Share of taxation	(91) (126)
At end of year	134,066 136,574
The circ of joint	AND VERY

The amounts due from/to associates were unsecured, interest free and had no fixed repayment terms.

December 31, 2003

#### 14. INTERESTS IN ASSOCIATES (cont'd)

As of December 31, 2003, the Company had direct or indirect interests in the following companies, which were incorporated/established and are operating in the PRC:

Date of equity interest, incorporation attributable to establishment the Company Paid-up capital Principal activities  Directly held by the Company  Directly held by the Company  Company Limited  May 2, 1995  May 2, 1995  Application Tiecheng Enterprise  Company Limited  May 2, 1995  Application Tiecheng Enterprise  Company Limited  Company Lim	the first of the second	isned and sign spe	all a		Maria Maria
Date of equity interest, incorporation/ attributable to the Company Paid-up capital Principal activities  Directly held by the Company  Guangzhou Tiecheng Enterprise May 2, 1995 49% RMB 245,000,000 Properties management and trading of merchandise  Company Limited Principal activities  Lengcheng Lihua Stock July 30, 1992 27% RMB 100,000,000 Real estate, warehousing, cargo loading and unloading  Indirectly held by the Company  Guangzhou Tielian Economy December 27, 1994 34% RMB 1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 333% RMB 6,610,000 Cargo loading and Cargo loading a		The last			
incorporation/ establishment the Company Paid-up capital Principal activities  Directly held by the Company  Guangzhou Tiecheng Enterprise May 2, 1995 49% RMB 245,000,000 Properties management and trading of merchandise  Zengcheng Lihua Stock July 30, 1992 27% RMB 100,000,000 Real estate,  Company Limited warehousing, cargo loading and unloading  Indirectly held by the Company  Guangzhou Tielian Economy December 27, 1994 34% RMB 1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33:3% RMB 6,610,000 Cargo loading and			Percentage of		
Ame of the entity establishment the Company Paid-up capital Principal activities  Directly held by the Company  Guangzhou Tiecheng Enterprise May 2, 1995 49% RMB245,000,000 Properties management and trading of merchandise  Company Limited 27% RMB100,000,000 Real estate, warehousing, cargo loading and unloading and unloading and unloading transport agency  December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33.3% RMB6,610,000 Cargo loading and		Date of	equity interest		ingen.
ame of the entity establishment the Company Paid-up capital Principal activities  directly held by the Company  Guangzhou Tiecheng Enterprise May 2, 1995 49% RMB 245,000,000 Properties management and trading of merchandise  Company Limited 27% RMB 100,000,000 Real estate,  Warehousing, cargo loading and unloading and unloa		incorporation/	attributable to		
Suangzhou Tiecheng Enterprise May 2, 1995 49% RMB245,000,000 Properties management and trading of merchandise  Company Limited 27% RMB100,000,000 Real estate, warehousing, cargo loading and unloading.  Indirectly held by the Company  Guangzhou Tielian Economy December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency.  Guangzhou Huangpu Yuehua July 20, 1990 33.3% RMB6,610,000 Cargo loading and			the Company	Paid-up capital	Principal activities
Company Limited  Compan	ame of the entity	Catabilities	an version of		A STATE OF THE STA
Company Limited  Compan					
Company Limited and trading of merchandise  Cengcheng Lihua Stock July 30, 1992. 27% RMB100,000,000 Real estate,  Company Limited warehousing, cargo loading and unloading and unloading and unloading and unloading and University held by the Company  December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and	irectly held by the Company	- <b>1</b>		对自然证明。	
Company Limited and trading of merchandise  Congcheng Lihua Stock July 30, 1992. 27% RMB100,000,000 Real estate,  Company Limited warehousing, cargo loading and unloading and unloading and unloading and unloading transport agency.  Company Limited Development Company Limited Transport agency.  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and training and freight transport agency.					
Company Limited  Cengcheng Lihua Stock Company Limited  C	inangzhou Tiecheng Enterprise	May 2, 1995	49%	RMB245,000,000	Properties management
Tengcheng Lihua Stock Company Limited  Tindirectly held by the Company  Guangzhou Tielian Economy December 27, 1994 Development Company Limited  Guangzhou Huangpu Yuehua  July 20, 1990 33,3% RMB6,610,000 Real estate,  warehousing, cargo loading and unloading  warehousing and freight transport agency  Company Limited  Guangzhou Huangpu Yuehua  July 20, 1990 33,3% RMB6,610,000 Cargo loading and	The state of the s				and trading of
Cengcheng Lihua Stock Company Limited  July 30, 1992.  27% RMB 100,000,000  Real estate,  warehousing, cargo loading and unloading  mdirectly held by the Company  December 27, 1994  July 20, 1990  33/3% RMB 6,610,000  Cargo loading and  Cargo loading and  Cargo loading and		The state of the s		Alexander Services	merchandise
Company Limited warehousing, cargo loading and unloading and trieggraphou Tielian Economy December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency.  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and					The second of th
Company Limited warehousing, cargo loading and unloading and Unicetly held by the Company  December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and		15 (4) 1861 (2861 (4)		nam 100 000 000	Deal actate
Indirectly held by the Company  Guangzhou Tielian Economy  December 27, 1994  Development Company Limited  Guangzhou Huangpu Yuehua  July 20, 1990  33,3%  RMB6,610,000  Cargo loading and  Cargo loading and	Lengcheng Lihua Stock	July 30, 1992	21%	KWR100,000,000	and the state of t
Indirectly held by the Company  Guangzhou Tielian Economy  December 27, 1994  34%  RMB1,000,000  Warehousing and freight transport agency  Guangzhou Huangpu Yuehua  July 20, 1990  33/3%  RMB6,610,000  Cargo loading and	Company Limited 4. 4. **	No the Control			The Same
Guangzhou Tielian Economy December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and					loading and unloading
Guangzhou Tielian Economy December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and					
Guangzhou Tielian Economy December 27, 1994 34% RMB1,000,000 Warehousing and freight transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33/3% RMB6,610,000 Cargo loading and	-di-cotty hold by the Company				
Development Company Limited transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33,3% RMB6,610,000 Cargo loading and	nurrecuty nera by the company	all along the page of the page.			
Development Company Limited transport agency  Guangzhou Huangpu Yuehua July 20, 1990 33.3% RMB6,610,000 Cargo loading and		2 22 100	3.402	PMR1 000 000	Warehonsing and freigh
Guangzhou Huangpu Yuehua July 20, 1990 33,3% RMB6,610,000 Cargo loading and	THE RESERVE AND ADDRESS OF THE PARTY OF THE	December 27, 199	J470	KIIDI, UVO, OVO	Control of the providence of the second of t
Guangzhou Huangpu Yuehua July 20, 1990 33 3% RMB6,610,000 Cargo loading and	Development Company Limited			4 - 4 - 4 - 4 - 4 - 4 - 4 - 4 - 4 - 4 -	transport, agency
Guangzhou Huangpu Yuehua July 20, 1990 33 3% RMB6,610,000 Cargo loading and	in the second				
이 마스트로 보내는 사람이 가장 그렇게 하면 보다는 것이 되었다. 그 사람들은 사람들은 사람들은 사람들은 사람들은 사람들은 사람들은 사람들은	- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	July 20, 1990	33.3%	RMB6,610,000	Cargo loading and
		PAGE TO SERVICE	State of the State		unloading, 😘 🔭
teacht teacht	Freight Transportation Joint		10.000 AFF - AFF 11	Acres 10 Company of the Company of t	The state of the s
Venture Company Limited  transport agency	Freight Transportation Joint		NO STATE	The State His	warehousing, freight
	Freight Transportation Joint Venture Company Limited				

December 31, 2003

#### 75. AVAILABLE-FOR-SALE INVESTMENTS

Group and	l Company
2003 Name of the investee company  RMB '000	2002 RMB'000
China Railway Communication Company Limited ("China Railcom") * 121,854	120,587
Shenzhen Innovation Technology Investment Company Limited 30,000  China Railway Express Company Limited 13,608	30,000 13,608
Shenzhen Huatie Enterprise Company Limited 2,000  Zhongtie Information Company Limited 500	2,000 500
167,962	166,695

The Company's share of equity interests in each of the respective companies is not more than 10%.

No quoted market prices are available for the above unlisted companies as of year end.

\* In 2003, the Company invested in China Railcom by injecting certain communication and signalling systems with their respective carrying value of approximately RMB1,267,000 (in 2002 the Company invested in China Railcom by injecting certain communication and signalling systems and construction-in progress with carrying value of approximately RMB120,587,000). China Railcom has confirmed in writing that the Group is entitled to the 0.69% equity interest in China Railcom as of December 31, 2003 (2002: 0.85%). The relevant legal registration procedures are still in progress.

#### 16. DEFERRED TAX ASSETS

	2003
	Provision Loss on
for	doubtful disposal of
	accounts fixed assets Total
	RMB'000 RMB'000 RMB'000
At beginning of year	3,015 4,562 7,577
Charged to profit attributable to shareholders	(316) (1,107) (1,423)
At end of year	2,699 3,455 6,154

December 31, 2003

#### 16. DEFERRED TAX ASSETS (cont'd)

The amounts shown in the balance sheets include the following:

G	roup	and (	Comp	any.
2	003	S		*2002
MB'	000	5 25 3 34 4	рм	B'000
MD-	000	4. E	IVI	<i>D</i> , 000
- C	1.000			

Deferred tax assets to be recovered after more than 12 months

DEFERRED STAFF COSTS		
	Group and	t Company
	TO BOTH MARKET OF THE PROPERTY	and waste for all
	∜2003	2002
	RMB'000	RMB'000
	226,369	226,369
Cost, at beginning and end of year	220,505	ti in the second
	"HOPPINGS" S.	
Accumulated amortisation	Marie and the same	
전에는 토리는 ''소송스 'YYE' (교육의 공료의 모표를 보냈다면 있다면 가게 되는데 사용이 있다면 사용하다면 보다면 보다면 보다면 보다면 보다면 보다면 보다면 보다면 보다면 보	(45,274)	(30,182)
At beginning of year	from the following the second contract the second contract to the second contract to the second contract to the	an and a supply of the first supply of the fir
Charges for the year	(15,092)	(15,092)
	(60,366)	(45,274)
At end of year		See and the see and the see
	and the second s	2 3 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Net book amount		
	166,003	181,095
At end of year.	The state of the s	<u> </u>
	War with the	
	181,095	196,187
At beginning of year	202,029	

# 18. TRADE RECEIVABLES, NET

*	- I I						
		TOTAL DE EC	NET				
Sept.	TRADE REC	EIVADLES	, INE I	CAN WEEL		n makada aya	fi spáni
	Territoria (Sept.		, 300 T			rince en figure	
		an Tagan dan sang diberang dan Kabupatèn dan sang d	A Property of	√ G	roup	Comp	oany
ting <mark>irang</mark> Julyaj Sara			Maria Maria	2003	2002	2003	2002
1	7 7 7 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1				n1402000	RMB'000	RMB'000
·		. Samuella de Salar		<i>₹RMB</i> '000	RMB'000	KMB 000	NAD 000
H	7			** RMB'000	KMB UUU	KWB 000	The state of the s
					67.416	39,772	36,588
	Trade receivab	The second of th		96,037	67,416	39,772	36,588
	Trade receivab	The second of th	accounts		67,416		
	has	The second of th	accounts	96,037	67,416	39,772	36,588
	has	The second of th	accounts	96,037	67,416	39,772	36,588

December 31, 2003

TRADE RECEIVABLES, NET (cont'd)

т8.

The credit terms of trade receivables are within one year. The aging analysis of trade receivables, net

Gr	oup Company
。  "我们就是我们就是我们的,我们就是一个人的,我们就是一个人的,我们就是一个人的,我们就是一个人的,我们就会会会会会会会会会会会会会。"  "我们是这个人的	2002 2003 2002
	RMB'000 RMB'000 RMB'000
	44.986 21,233 18,379
Within 1 year 75,674  Over 1 year but within 2 years 4,719	3,490 4,719 3,490
Over 2 years but within 3 years 221	1,652 — 41
Over 3 years	1,329
80,614	51,457 25,952 21,910

«Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are widely dispersed. Due to this factor, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

# PREPAYMENTS AND OTHER RECEIVABLES, NET

Group         Company           2003         2002         2003         2002           RMB'000         RMB'000         RMB'000         RMB'000         RMB'000           Other receivables         183,187         168,236         170,605         149,167           Less: Provision for doubtful accounts         (38,288)         (39,898)         (38,288)         (39,898)           Other receivables, net         144,899         128,338         132,317         109,269           Prepayments         104,061         131,737         71,197         105,462				فيسب الأراء كراد	ب ۱۰۰۰ کو پیش کا کو د		Comne	grafija karangara. Grafija
2003         2002           RMB'000         RMB'000 <th></th> <th></th> <th></th> <th></th> <th>Group.</th> <th>he property</th> <th>Compa</th> <th>Sheri a wa Ari</th>					Group.	he property	Compa	Sheri a wa Ari
RMB'000         RMB'000 <t< th=""><th>grani Vitana in</th><th>al Table in a</th><th></th><th></th><th>2003</th><th>2002</th><th>2003</th><th>2002</th></t<>	grani Vitana in	al Table in a			2003	2002	2003	2002
RMB-900     RMB-900       Other receivables     183,187     168,236     170,605     149,167       Less: Provision for doubtful accounts     (38,288)     (39,898)     (38,288)     (39,898)       Other receivables, net     144,899     128,338     132,317     109,269       104,061     131,737     71,197     105,462	3.0	5.2.300%的增加。		人。(4) 美国歌歌	AND A STATE	And the Reserve	71471000	חחמיםאמ
Other receivables       183,167       (39,898)       (38,288)       (39,898)         Less: Provision for doubtful accounts       (38,288)       (39,898)       (38,288)       (39,898)         Other receivables, net       144,899       128,338       132,317       109,269         104,061       131,737       71,197       105,462	پرېښې دند	<del>~~~</del>	<del></del>		(B'000	RMB:'000	KWB.000	KMD OOG
Other receivables       183,167       (39,898)       (38,288)       (39,898)         Less: Provision for doubtful accounts       (38,288)       (39,898)       (38,288)       (39,898)         Other receivables, net       144,899       128,338       132,317       109,269         104,061       131,737       71,197       105,462	٠ 	-4 Al. Marchine March	4			A STATE OF THE STA	7.34.5	7, 7 14
Other receivables       183,167       (39,898)       (38,288)       (39,898)         Less: Provision for doubtful accounts       (38,288)       (39,898)       (38,288)       (39,898)         Other receivables, net       144,899       128,338       132,317       109,269         104,061       131,737       71,197       105,462	id-			The second secon		4 -0	and the second of the second o	gar Tanada Saraga Salahan Mar. Na
Other receivables     Less: Provision for doubtful accounts     (38,288)     (39,898)     (38,288)     (39,898)       Other receivables, net     144,899     128,338     132,317     109,269       104,061     131,737     71,197     105,462	- Gardine	The second support the second	align and a second and a second	oli koministi Apparatus producti alemanisti	83.187	168,236	170,605	149,167
Less: Provision for doubtful accounts     (38,288)     (37,338)       Other receivables, net     144,899     128,338     132,317     109,269       104,061     131,737     71,197     105,462			April 1990	A Secretary	1.4.	to a series of	(70 100	
Other receivables, net 144,899 128,338 132,317 109,269		Less: Provision fo	r doubtful accour	nts (	38,288)	·· (39,898)	(30,400)	(55,050)
Other receivables, net 124,859 120,330 120,462	Havingi Ary-		M. J. J. J.		THE PERSON LINES TO SERVICE TO SERVICE THE PERSON NAMED IN COLUMN TO S		ا جو رسلم او اگرانی اور اور اور اور اور اور اور اور اور اور	
Other receivables, net 124,859 120,330 120,462	 				at the second	4.0000	122 247	100 260
105,462	, in	Other receivables.	net		44,899	128,338	132,317	109,207
Prepayments	n er	alid iki esperanti ke bad		and and an	04 061	131.737	71,197	105,462
		Prepayments			ar gallegi na .	7 16 15 15 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	(2.98 · 14. 26.7.7.2.4.2.2.4.2.	
	- 33	TO SHARE THE SECTION OF THE SECTION			270	er an ingeren er en		
248.960 260.075 203,514 214,731					140.020	260 075	203.514	214,731
248,960 260,075 203,514 214,751	46			- "XXX" () 🙀	640,700	200,073		

December 31, 2003

### 19. PREPAYMENTS AND OTHER RECEIVABLES, NET (cont d)

As of December 31, 2003, the Company had fixed deposit with the principal amount of approximately RMB31.365 million in Zeng Cheng City Li Cheng Credit Cooperative ("Li Cheng"). The Company had not been able to recover the principal from Li Cheng upon the expiry of the fixed deposit term . In March 1999, the Company instituted legal proceedings against Li Cheng to recover the deposit and the related interest. According to the court verdict dated October 12, 1999, Li Cheng was required to repay the deposit principal and the related interest to the Company. As Li Cheng failed to execute the court ruling, the Company further applied to the court for compulsory enforcement of the court order. In July 2000, Li Cheng filed a petition to the court for winding up. On November 9, 2000, the court ordered the suspension of execution of the court ruling dated October 12, 1999, while Li Cheng was undergoing a winding-up. On November 23, 2000, the Company applied to the Guangdong Provincial Government for allocation of special funds by the government to Li Cheng for repayment of the Company's deposit principal. The provincial government accepted the petition and requested the municipal government to follow up on the case. As of the date of this report, the fixed deposit has not yet been collected. Accordingly, the Company reclassified such amount from temporary cash investments to other receivables and accounted for provision for doubtful accounts pursuant to management's estimates

#### 20. TEMPORARY CASH INVESTMENTS

Group, Company	, st-,
<b>2003 2002 2003</b> 2	002
Note RMB'000 RMB'000 RMB'000 RMB'	000
Time deposits with maturities  over three months in banks  (a) 459,440 399,339 459,440 394,	,033
Time deposits with maturities	n é
over three months in the MOR's	- AAA
Railway Deposit-taking Centre (b) 168,000 168,000 168,000 168	
<b>627,440</b> 567,339 <b>627,440</b> 562	,033

<sup>(</sup>a) Time-deposits with maturities over three months in banks consist of short-term deposits denominated in RMB and United States dollars ("USD") (2002: RMB, Hong Kong dollars "HK\$", and USD) with original maturities ranging from six months to one year, placed with banks in the PRC. The annual interest rates of RMB deposits was 1.98% in 2003 (2002: 1.98%), the annual interest rate of HK\$ deposit was 1.13% in 2002, and the annual interest-rates of USD deposits were LIBOR plus a floating rate ranged from -0.2% to 0% (2002: from -0.2% to 0.1%). Total interest earned from such deposits amounted to approximately RMB11,868,000 for the year (2002: approximately RMB15,121,000).

December 31, 2003

#### 20. TEMPORARY CASH INVESTMENTS (cont'd)

(b) Time deposits with maturities over three months in the MOR's Railroad Deposit-taking Center consist of short-term deposits denominated in RMB (in 2002 included both RMB and USD) with original maturities of one year (2002: ranging from six months to one year). The annual interest rates of RMB deposits was 1.98% in 2003 (2002: 1.98%) and the annual interest rates of USD deposits were LIBOR plus a floating rate ranged from -0.2% to 0.1% in 2002. Total interest earned from such deposits amounted to approximately RMB3,326,000 (2002: approximately RMB3,239,000) for the year (see Note 27).

#### 21. TRADE PAYABLES

The aging analysis of trade payables was as follows:

<b>4</b> 4 (1)				C	roup	Co	mpany
P*1"	- 2			11 may 15 Fig. 677	No. The said	This has	y Trong N Of the Charles
v4, 14	a Laka			2003	2002	2 2003	2002
	The state of the s			RMB'000	RMB'000	RMB'000	RMB'000
	2.0	V 401 1	104.20.20	KMD 000	KIND OOK	geller	j <sub>0</sub> ./;
- 1	M-12 200km 12	managar da ana ang ana ang ang		on the distance of	Similar Specimens		A Junggan A Oscar August Williams (1982) - Language VIII (1982)
		THE STATE OF THE S				_ ::.'''\	20.620
Wit	hin 1 year		ga a Allfahar ga a dan da daga ga an ang Marangan da daga an ang	32,356	40,67	7 21,978	. 30,638
100	4	within 2 yea	# 25 Jan 19 19 19 19 19 19 19 19 19 19 19 19 19	1,726	850	<b>1,66</b> 1	369
Commendad A	1		War and the state of the state			Part of the second	ta ta se was
Ove	r 2 years bu	t within 3 ye	ars	543	20	7 50	46 73
7,757	PROTECT OF		2 A A S A S A S A S A S A S A S A S A S	72.358.76. VHZ			- 14 July 129
				- Violande versions	JAGN JAK	and the same	الأولى والمراب والمرابعين والموا
		and the second	and the second s	34,625	41,73	4 23,689	31,080
Agent High	eran	en Yilliam ()	Samuel Control	at Managariti	ora da ve	175	la de la companya de

### 22. ACCRUED EXPENSES AND OTHER PAYABLES

	. V. 16				Group		Co	mpany	Ser⊀
ti <sub>vetje</sub> ,					2003	<b>2002</b>	2003	The state of the s	002
W. 21			4 7 5.	RM1	3'000	RMB'000	RMB'000	RMB'(	200
					AND THE STATE OF			70	659
MANA	ces from ci	and the same of th	in the second of		9,840 4,000 ====	143,388 79,790	67,204 23,785	1	Land Control
www.	ed expenses and welfar	19 TH			4,000 5,138	21.260	14,946	Alleholesia kiri	X
	payables	c payabic		and the second second second	9,815	213,515	174,373	210,	548
	Sillings Silver Silver Son w	2008 224 A 1 2 3 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4		and the second	34,7	gerall com		Market Arrange of the Control of the	
				30	8,793	457,953	280,308	389,	764
#Cycle Cummons	Ski	maining water a	, James						

Other payables mainly represented various payables and deposits for daily operation of business.

Guangshen Kaliway Company Limite

#### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

#### 22. ACCRUED EXPENSES AND OTHER PAYABLES (cont'd)

Pursuant to Caishui [2004] No.36 and Caishui [2003] No.149 issued by MOF and State Administration of Taxation; the Group exempt from certain real estate taxes amounting to approximately. RMB12,000,000 during the year ended December 31, 2003. The grant of such exemption is subject to the acknowledgement of relevant authorities that the Company is a transportation company under the MOR. The directors believe that the Group is qualified for such exemption and is in the process of seeking the acknowledgement from the relevant authorities. Accordingly, such real estate taxes have not been accrued for in the accompanying financial statements.

#### 23. SHARE CAPITAL

As of December 31, 2003, the authorised capital of the Company consisted of ordinary shares of par value RMB1.00 per share:

	Number of	Nominal Percentage of
	shares	value share capital
	000	
Authorised, issued and fully paid:		2,904,250 67%
State-owned Domestic Shares	2,904,250	A 100 miles of the control of the co
H Shares	1,431,300	1,431,300 33%
	4,335,550	4,335,550 100%

#### 24. RESERVES

According to the articles of association of the Company, when distributing profit attributable to shareholders of each year, the Company shall set aside 10% of its profit attributable to shareholders after tax based on the Company's local statutory accounts for the statutory surplus reserve (except where the reserve has reached 50% of the Company's registered share capital) and 5% to 10% for the statutory public welfare fund at a percentage determined by the directors. The Company may make appropriation from its profit attributable to shareholders to the discretionary surplus reserve provided it is approved by a resolution of a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without prior approval from a shareholders' general meeting under certain conditions.

When the statutory surplus reserve is not sufficient to make good for any losses of the Company from previous years, current year profit attributable to shareholders shall be used to make good the losses before allocations are set aside for the statutory surplus reserve or the statutory public welfare fund.

December 31, 2003

#### 24. RESERVES (cont'd)

The statutory public welfare fund is used to build or acquire capital items, such as dormitories and other facilities for the Company's employees and cannot be used to pay for welfare expenses. Title of these capital items will remain with the Company.

The statutory surplus reserve, the discretionary surplus reserve and the share premium may be converted into share capital provided it is approved by a resolution at a shareholders' general meeting and the balance of the statutory surplus reserve does not fall below 25% of the registered share capital. The Company may either distribute new shares in proportion to the number of shares held by shareholders, or increase the par value of each share.

The directors proposed the following appropriations to reserves:

	200	3	200	)2
P	ercentage	RMB'000	Percentage	RMB'000
The Company	# *		wall.	
Statutory surplus reserve	10%	53,384	10%	57,613
Statutory public welfare fund	≥5%	26,692	5%	28,806
Discretionary surplus reserve		San		T 42 L
	15%	80,076	.15%	<u>=86,419</u>
		auxi 13. oʻr #4.		A CONTRACTOR OF STREET
Subsidiaries		1 5.34. F	Constant	
Statutory surplus reserve		781		1,688
Statutory public welfare fund		400	40 10 1	928
			. Historia Literatura Literatura	2,616
	Wells no many or the		gy - to strong many program is the	
		81,257		89,035

In accordance with the articles of association of the Company, dividends are determined based on the least of retained earnings determined in accordance with (a) PRC GAAP, (b) IFRS and (c) the accounting standards of the countries in which its shares are listed. As the statutory accounts have been prepared in accordance with PRC GAAP, the retained earnings as reported in the statutory accounts may be different from the amount reported in the accompanying statement of changes in shareholders' equity.

As of December 31, 2003, the reserve of the Company available for distribution was approximately RMB656,893,000 (2002: approximately RMB667,416,000).

December 31, 2003

#### 25. RETIREMENT BENEFITS

All the full-time staff of the Group are covered by a defined-contribution pension scheme. Pursuant to a circular dated October 24, 1995 issued by the Parent Company, the Company is required to pay to the Parent Company an amount equivalent to 19% of the salary and certain amount of bonus of the staff for pension benefits, and the Parent Company is responsible for the ultimate pension liability to the staff. Starting from December 2000, the percentage borne by the Company changed to 18% pursuant to another circular dated December 21, 2000 issued by the Parent Company. As of December 31, 2003, payable for pension obligations was nil (2002: nil).

# 26. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT

### (a) Reconciliation from profit attributable to shareholders to cash generated from operations:

Adjustments-for: Minority interests Income tax expense Depreciation Amortisation of leasehold land payments Loss on disposal of fixed assets Amortisation of deferred staff costs Share of losses of associates Provision for doubtful accounts Interest expense Interest income  (2 Operating profit before working capital changes	(32) 3,439 1,653	557,083
Adjustments-for: Minority interests Income tax expense Depreciation Amortisation of leasehold land payments Loss on disposal of fixed assets Amortisation of deferred staff costs Share of losses of associates Provision for doubtful accounts Interest expense Interest income  (2 Operating profit before working capital changes	(32) 3,439 1,653	
Minority interests Income tax expense Depreciation Amortisation of leasehold land payments Loss on disposal of fixed assets Amortisation of deferred staff costs Share of losses of associates Provision for doubtful accounts Interest expense Interest income  (2) Operating profit before working capital changes	3,439 1,653	113
Income tax expense  Depreciation  Amortisation of leasehold land payments  Loss on disposal of fixed assets  Amortisation of deferred staff costs  Share of losses of associates  Provision for doubtful accounts  Interest expense Interest income  (2)  Operating profit before working capital changes	3,439 1,653	113
Depreciation 29 Amortisation of leasehold land payments 1 Loss on disposal of fixed assets 1 Amortisation of deferred staff costs 1 Share of losses of associates Provision for doubtful accounts Interest expense Interest income 22 Operating profit before working capital changes 91	1,653	78UC 1
Amortisation of leasehold land payments.  Loss on disposal of fixed assets 1  Amortisation of deferred staff costs 1  Share of losses of associates  Provision for doubtful accounts  Interest expense Interest income (2)  Operating profit before working capital changes 91	, salahalar	104,391
Loss on disposal of fixed assets  Amortisation of deferred staff costs  Share of losses of associates  Provision for doubtful accounts  Interest expense  Interest income  (2)  Operating profit before working capital changes		337,797.
Amortisation of deferred staff costs 1  Share of losses of associates  Provision for doubtful accounts  Interest expense  Interest income (2)  Operating profit before working capital changes 91	5,602	15,131
Share of losses of associates  Provision for doubtful accounts Interest expense Interest income  Coperating profit before working capital changes  91	6,935	29,339
Provision for doubtful accounts Interest expense Interest income (2) Operating profit before working capital changes 91	5,092	15,092
Interest expense Interest income   Operating profit before working capital changes  91	2,417	197
Interest expense Interest income   Operating profit before working capital changes  91	172 🐃	4,598
Interest income (2  Operating profit before working capital changes 91	2,359	4,064
Operating profit before working capital changes 91	9,755)	(36,920)
Operating profit before working capital stranges	17.25.4	religio
4 6 7 m - 1 m - 1 m - 2	9,644	1,030,885
(Increase)/decrease in trade receivables (2	8,621)	24,064
	4,587)	86
	7,320	87,676
Increase in due from Parent Company	<b>*</b> ***********************************	(9,875)
	6,179	8,128
	7,109)	(27,314)
	3,821)	
	7,594) =	99,549
	0,924)	48,529
Decrease//invitation in account		
Cash generated from operations 90		1,261,728

December 31, 2003

## 26. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT (cont'd)

#### (b) Analysis of the balance of cash and cash equivalents

			2003	2002
			RMB'000	RMB'000
			580,226	842,549
Cash at bank and Short term time of		igen er littere - Se time - transmission op det er litter ble er litter	822,133	570,496
Cash and deposit	S		1,402,359	1,413,045

Short term time deposits with maturities no more than three months consist of deposits denominated in RMB, USD and HK\$ (in 2002, USD and HK\$). The effective interest rate of RMB deposits was 1.71%. The effective interest rates of USD deposits ranged from 0.94% to 1.88% (2002; 1.22% to 1.64%), the effective interest rates of HK\$ deposits ranged from 0.90% to 0.96% (2002; 1.34% to 1.70%). These deposits have an average maturity of 90 days.

Cash and bank deposits include a deposit of approximately RMB321,985,000 (2002: RMB206,452,000) with the MOR's Railway Deposit-taking Centre at an annual interest rate normally granted by banks:

#### (c) Non-cash transactions

- (i) During the year ended December 31, 2003, the Group disposed certain staff quarters of approximately RMB92 million (2002: approximately RMB63 million) to their employees pursuant to its housing benefit scheme.
- (ii) During the year ended December 31, 2003, the Company and the minority shareholder increased their investments in a subsidiary by capitalising approximately RMB42 million and RMB41 million due from that subsidiary respectively.
- (iii) During the year ended December 31, 2003, the Company invested of approximately RMB1,267,000 (2002: approximately RMB120,587,000) in China Railcom by injecting certain communication and signalling systems (see Note 15).

#### 27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

December 31, 2003 , \*

#### 27. RELATED PARTY TRANSACTIONS (cont'd)

# (a) During the year, the Group had the following material transactions with related parties:

# Recurring transactions

A significant portion of transactions undertaken by the Group during the year was with related PRC state-owned enterprises and on such terms as determined by the relevant PRC authorities and stipulated in the related agreements entered into with these parties. The following is a summary of significant recurring transactions carried out in the ordinary course of business by the Group with its related parties during the year:

	2003	2002
	RMB'000	RMB'000
Lease of locomotives and related services from		
Yang Cheng Railway Company, a subsidiary		
of the Parent Company (i)	40,882	42,047
Provision of trains and related services from		
Guangmeishan Railway Company Limited,	a saari waxaa waxaa ahaa ahaa ahaa ahaa ahaa ah	Committee and the second secon
a subsidiary of the Parent Company.	5,305	4,864
Purchases of materials and supplies from		
Guangzhou Railway Material Supply Company,		Carlo
a subsidiary of the Parent Company	50,687	33,074
Social services (employee housing, health care, educa	tional	e na dikana ta sa mpanjana na
and public security services and other ancillary ser-	vices)	
provided by the Parent Company and related partie	Company of the Compan	
(including Guangzhou Railway (Group) Guangshen		
Railway Enterprise Development Company)	68,079	66,744
Operating lease rentals paid to the MOR (i)	58,904	57,298
Provision of trains and related services through MOR	201.870	211,667
Provision of trains usage and related services from		
Guangzhou Railway (Group) Passenger Transporta		
Company, a subsidiary of the Parent Company	2,207	6,681
Interest expenses paid to the Parent Company (ii)	2,037	2,443
Interest received from the MOR's Railroad		
Deposit-taking Centre (see Note 20 (b) and 26(b))	3,516	3,239
Interest received from Pingnan Railway Company Li	T ME 14 10/49 AND GROWN LICE	
an associate of the Parent Company (ii)	827	806
Interest received from Guangmeishan Railway		
Company Limited (ii)	901	1,884
가는 보고 있는 사람들은 사람들이 되고 있습니다. 그 사람들은 사람들은 사람들은 경기를 보다 되었다면 보다 되었다. 그는 사람들은 사람들은 사람들은 사람들은 사람들은 사람들은 사람들은 사람들은	A 1984 SWA	

December 31, 2003

#### 27. RELATED PARTY TRANSACTIONS (cont'd)

(a) During the year, the Group had the following material transactions with related parties:

#### Recurring transactions (cont'd)

- (i) The lease agreement with Yang Cheng Railway Company was revised on March 6, 1996 and provides for a 10-year lease period starting from 1996. The lease with MOR is based on the uniform rate set by MOR and is renewable annually.
- (ii) The interest was resulted from the long-distance transportation services, which was calculated based on the average balances due from/to related parties on a quarterly basis, at the prevailing interest rates of six-month bank loans.
- (b) As of December 31, 2003, the Group and the Company had the following material balances with related parties:

	Grou	up, in the same of	Comp	any
And the second s	2003	2002	2003	2002
NAMES OF THE PARTY	RMB'000	RMB'000	RMB'000	RMB'000
	1 1 1 m			
Temporary cash investments in	and the same of th			
the MOR's Railroad Deposit-	Experience of the second		ar magnification of a	الله المستقبل والعالم المستقبل والعالم المستقبل والعالم المستقبل والعالم المستقبل والعالم المستقبل والمستقبل و والمستقبل المستقبل والمستقبل المستقبل المستقبل والمستقبل والمستقبل والمستقبل والمستقبل والمستقبل والمستقبل وال
taking Centre (see Note 20(b))	168,000	168,000	168,000	168,000
Bank deposits in the MOR's	Armania Saran Makada da araba Saran Saran Marin B	The second of th	Marie San	indus a my militaria as arginis is a sa a sa sa sa sa sa
railroad Deposit-taking Centre				
(see Note 26 (b))	321,985	206,452	286,793	206,452
Due from Parent Company		39,374		37,575
Due⊪to Parent Company	(37,230)		(40,140)	
Due from related parties	199,921	. ₹ 267,885	193,730	263,873
— Trading balance	10,608	54,425	10,608	52,255
Non-trading balance	189,313	-213,460	183,122	211,618
Due to related parties	(120,605)	(158,199)	(112,104)	(156,909)
— Trading balance	(60,128)	(125,847)	(59,827)	(124,557
— Non-trading balance	- (60,477)	(32,352)	(52,277)	(32,352)
	THE RESERVE AND PROPERTY OF THE			36.

As of December 31, 2003, the balances with the MOR, the Parent Company and related parties are unsecured, non-interest bearing and repayable on demand, except for those disclosed in Notes 20(b), 26(b) and 27(a). These balances resulted from transactions carried out by the Group with related parties in the ordinary course of business. The balances with the Parent Company are all non-trading in nature. The balances with related parties, which are of trading in nature, all aged within one year.

December 31, 2003

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#### 28. CONTINGENCY

As of December 31, 2003, the Company's interest in an associated company, Guangzhou Tiecheng Enterprise Company Limted ("Tiecheng"), amounted to approximately RMB140,000,000. In 1996, Tiecheng entered into an agreement with a Hong Kong incorporated company to establish Guangzhou Guantian Real Estate Company ("Guangzhou Guantian"), a sino-foreign contractual joint venture to develop certain properties near a railway station operated by the Group.

On October 27, 2000, Guangzhou Guantian together with Guangzhou Guanhua Real Estate Company Limited ("Guangzhou Guanhua") and Guangzhou Guanyi Real Estate Company Limited ("Guangzhou Guanyi") agreed to act as joint guarantors (the "Guarantors") of certain payables of Guangdong Guancheng Real Estate Company Limited ("Guangdong Guancheng") to an independent third party. Guangzhou Guantian, Guangzhou Guanhua, Guangzhou Guanyi and Guangdong Guancheng were related companies with a common chairman. As Guangdong Guancheng failed to repay the payables, according to a court verdict on Novermeber 4, 2001, Guangzhou Guantian, Guangzhou Guanhua and Guangzhou Guanyi were liable to the independent third party to recover an amount of approximately RMB257,000,000 plus interest from Guangdong Guancheng. As such, if Guangzhou Guantian were held responsible for the guarantee, the Company may need to provide for impairment on its interests in Tiecheng.

On December 15, 2003, the High People's Court of Guangdong Province (the "Court") received the Guangzhou Guantian's application for discharging the aforesaid guarantee. As a necessary procedure for the Court to decide to reassess the previous court verdict, a hearing was held on March 18, 2004. In this respect, Guangzhou Guantian appointed an independent lawyer to represent on its behalf to attend the hearing. Up to the date of this report, the Court is yet to finish the necessary procedures before making decision to reassess the previous court verdict. However, having consulted that independent lawyer, the directors are of the opinion that the guarantee arrangement should be invalid according to the relevant PRC rules and regulations. Accordingly, the directors consider that as of the date of this report, the chance of Guangzhou Guantian to settle the above claim is remote and no provision for impairment on the interests in Tiecheng was made in the accounts.

#### 29. FINANCIAL INSTRUMENTS

The carrying amounts of the cash and cash equivalents, temporary cash investments and accounts receivable and payables of the Group approximate their fair values because of the short maturity of those instruments. Cash and cash equivalents and temporary cash investments denominated in foreign currencies have been translated at the applicable market exchange rates prevailing at the balance sheet date. The Company has not had and does not believe it will have any difficulty in exchanging its foreign currency cash and cash equivalents for RMB.

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### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

#### 29. FINANCIAL INSTRUMENTS (cont'd)

As of December 31, 2003, cash and cash equivalents and temporary cash investments were mainly maintained with commercial banks in the PRC and the MOR's Railroad Deposit-taking Centre.

As of December 31, 2003, balances denominated in USD and HK\$ have been translated into RMB at the applicable market exchange rates as of that date.

#### 30. CONCENTRATION OF RISKS

#### (a) Credit risk

The carrying amount of cash and cash equivalents, accounts receivable and other receivables, and due from related parties and other current assets except for prepayments and deferred tax assets, represent the Group' maximum exposure to credit risk in relation to financial assets.

The majority of the Group' accounts receivable relate to the rendering of services or sales of products to third party customers. The Group perform ongoing credit evaluations of their customers' financial condition and generally do not require collateral on accounts receivable. The Group maintain a provision for doubtful accounts and actual losses have been within management's expectation.

No other financial assets carry a significant exposure to credit risk.

#### (b) Interest rate risk

The directors of the Group believe that the exposure to interest rate risk of financial assets and liabilities as of December 31, 2003 was minimum since their deviation from their respective fair-values was not significant.

#### (c) Currency risk

Substantially all of the revenue-generating operations of the Group are transacted in Renminbi, which is not freely convertible into foreign currencies. On January 1, 1994, the Mainland China government abolished the dual rate system and introduced single-rate of exchange as quoted by the People's Bank of China. However, the unification of the exchange rate does not imply free convertibility of Renminbi into foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorised to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institution requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

December 31, 2003

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#### 31. COMMITMENTS

#### (a) Capital commitments

As of December 31, 2003, the Group had the following capital commitments of which all are authorized and contracted for:

2003 2002 RMB'000 RMB'000

Authorised and contracted for

10,158

399,375

#### (b) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases were as follows:

2003 2002 RMB'000 RMB'000

291,375

Machinery and equipment

— not more than one year

— more than one year but not more than five years

108,000

291,375

### 32. POST BALANCE SHEET EVENTS

Pursuant to a board resolution dated April 20, 2004, the directors recommended the payment of a final dividend of RMB0.105 per share, totalling RMB455,232,750.

#### 33. FOREIGN CURRENCY EXCHANGE

The books and records of the Group are maintained in RMB, their functional currency. RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the banks and other institutions authorised by the People's Bank of China ("PBOC") to buy and sell foreign exchange. The applicable market exchange rates used for the transactions are administered by the PBOC. Enterprises can deal with an approved bank for foreign exchange on recurring items and approved capital items.

#### 34. APPROVAL OF ACCOUNTS

The financial statements were approved by the Board of Directors on April 20, 2004.

#### FINANCIAL SUMMARY

December 31, 2003

(Amounts expressed in thousands of Renminbi)

The information set forth below summarises the consolidated financial statements of the Group. This information, which does not form part of the December 31, 2003 audited financial statements, should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of the Group, including the notes thereto, as of December 31, 1999, 2000, 2001, 2002 and 2003, and for the years ended December 31, 1999, 2000, 2001, 2002 and 2003.

# CONSOLIDATED INCOME STATEMENTS

2003	Year ended December 31, 2002 2001 2000 1999
Totál-revenue 2,413,387	2,517,528 2,153,592 1,980,398 1,818,816
Profit from operations 562,713	622,497 554,111 519,405 477,920
Profit attributable to shareholders 511,762	557,083 533,495 492,089 529,674
Dividends RMB0.10	RMB0*10 RMB0.10 RMB0.12 RMB0.10

Guangshen Railway Company Limiteu 

# FINANCIAL SUMMARY December 31, 2003

		. Villa sa	of December 3	1,	7 1 1 1 1 May 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
	- 2003	2002	2001	2000	1999
Von-current assets					6,757,336
ixed assets	6,952,878	6,798,280	7,031,040	7,074,907 369,285	653,958
Construction-in-progress	390,393	672,827	446,399	695,231	710,625
easehold land payments	652,083	656,998	673,746 141,122	122,222	88,708
nterests in associates	140,494	140,842 166,695	32,000	30,000	30,000
Available-for-sale investments	167,962 * 6,154	7,577	5,193		2,700
Deferred tax-assets	166,003	181,095	196,187	202,449	
Deferred staff costs	8,475,967	8,624,314	8,525,687	8,494,094	8,243,327
	8,413,700	7.02 7.02 7.02 7.02 7.02 7.02 7.02 7.02	Secret And A	Marie Con	
Current assets	200	24 105	· 34.191	30,033	24,507
Materials and supplies	38,692	34,105 51,457	67,440	87,444	100,779
Trade receivables, net	80,614	39,374	29,499	80,604	48,485
Due from Parent Company	199,921	267,885	276,013	247,932	298,199
Due from related parties	133,724				
Prepayments and other	248,960	260,075	≚322,276 <sup>±</sup> .	196,073	163,014
receivables, net Temporary cash investments	627,440	567,339	-1,376,602	1,451,330	1,512,780
Cash and cash equivalents	1,402,359	-1,413,045	365,508	330,054	579,405
	2,597,986	2,633,280	2,471,529	2,423,470	2,727,169
Current liabilities				4 117	49,580
Trade payables	34,625	41,734	69,048	61,147	+7,200
Payables for construction of	And a section	101 472	199,780	345,471	405,97
fixed assets	148,258	181,473			나 보고 되다
Due to Parent Company	37,230 120,605	158,199	58,650	63,734	154,32
Due to related parties	232	90,663	13,598 🛝		هور سعي مقامل آراي في. ها دا ساد
Dividend payable	49,494	71,844	65,682	₹ <b>. ₹57,5</b> 52	27,32
Taxes payable					260.60
Accrued expenses and other payables	308,793	457,953	454,218	351,889	268,69
	699,237	1,001,866	860,976	879,793	905,91
	1,898,749	1,631,414	1,610,553	1,543,677	1,821,25
Net current assets	Sign Was	AND FRANCES	17 A 1	of the terms	
Total assets less current liabilities	10,374,716	10,255,728	10,136,240	10,037,771	10,064,58
Non-current liabilities Deferred tax liabilities				2,333	
The state of the s	52,358	11,577	15,617	14,755	15,7
Minority interests	W. Faces	10,244,151	10,120,623	10,020,683	10,048,80
Net assets	10,322,358	10,244,131			41.
Representing:				A 225 550	4,335,5
Share capital	4,335,550	4,335,550	4,335,550	4,335,550	4,333,3 5,713,3
Reserves	5,986,808	5,908, <u>601</u>	5,785,073	<u>4</u> 5,685,133	لدوفيا البوايد
	10,322,358	10,244,151	10,120,623	10,020,683	10,048,8

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# SUPPLEMENTAL FINANCIAL INFORMATION

For the year ended December 31, 2003

(All amounts are stated in Renminbi

# CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS

The financial statements, which are prepared by the Company and its subsidiaries in conformity with PRC GAAP, differ in certain respects from IFRS (audited by PricewaterhouseCoopers). Major differences between PRC GAAP and IFRS which affect the consolidated profit attributable to shareholders and the consolidated net assets of the Company and its subsidiaries are summarized as follows:

	Consolidated profit attributable to shareholders for the year ended December 31, 2003 2002		Consolidated net assets as of December 31, 2003 200		
	RMB'000		RMB'000	RMB:000	
As reported in statutory accounts (audited by certified public accountants in the PRC)	530,728	580,029	10,346,110	9,894,511	
Impact of IFRS adjustments:  Additional depreciation charges on fixed assets (a)	(9,065)		(159,716)	(150,651)	
Write-down of reclaimed rails to  realisable value (b)  Amortisation of deferred staff costs (c)	(15,092)	(15,092)	(44,123) (60,366)	(44,123) (45,274	
Reversal of staff costs charged to retained earnings (c) Housing benefits for retired employees (c)			221,113 (3,602)	165,746 (3,602	
Dividends in respect of the year but				433,555	
declared after the end of the year (d)  Deferred tax (utilised)/provided (e)	(1,423)	2,384	6,154	7,577	
Reversal of amortisation/(write-off) of deferred renovation expenses (f)	3,144	(7,365)	(4,221)	(7,365	
Difference in depreciation charges on fixed assets resulting from reclassification (g)	(950)		31,118		
Recognition of government grants by deducti the carrying value of fixed assets (h)	ing	(2,873)	(17,000) 6,891	(6,22	
Others  As restated for the Group	511.762	557,083	10,322,358	10,244,15	

# SUPPLEMENTAL FINANCIAL INFORMATION

For the year ended December 31, 200

# CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS (cont'd)

# (a) Additional depreciation charges on fixed assets

- (i) Certain tracks were recorded as construction-in-progress under PRC GAAP before 1995. As such rails had been put into use before 1995 and hence under IFRS, they were reclassified as fixed assets and subject to annual depreciation from the year they were put into use.
- (ii) Pursuant to "Cai Jian Han [2002] No.42" and "Cai Jian Han [2002] No.349" issued by MOF and "Ban Cai Fa [2003] No.10" issued by MOR(collectively known as the "Circulars"), effective from 1 January 2003, the Group changed the useful life of tracks from 44 years to indefinite period. All subsequent replacement costs of tracks are charged to income statement. Under PRC GAAP, the Group follows the requirements of the Circulars and no depreciation charged on tracks.

Under IFRS, the above change of accounting treatment of tracks is not acceptable. The Group based on the experience and maintenance programs established by the management and the engineering personnel and considered the estimated useful life of tracks is 100 years. Accordingly, depreciation charges on tracks were based on their estimated remaining useful life.

### (b) Write-down of reclaimed rails to realisable value

Under PRC GAAP, certain reclaimed rails were recorded at historical costs. Under IFRS, such reclaimed rails were written down to realisable value.

# (c) Difference in the recognition policy on housing benefits to the employees

The Company and its subsidiaries provided housing benefits to certain qualified employees of the Company and its subsidiaries whereby the living quarters owned by the Company and its subsidiaries were sold to these employees at preferential prices. The housing benefits represent the difference between the cost of the staff quarters sold to and the net proceeds collected from the employees, which are borne by the Company and its subsidiaries.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance, the total housing benefits provided by the Company and its subsidiaries are directly charged to net assets. Under IFRS, the housing benefits provided by the Company and its subsidiaries are recognised on a straight-line basis over the estimated remaining average service lives of the employees.

# SUPPLEMENTAL FINANCIAL INFORMATION

For the year ended December 31, 2003

# CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN PRC GAAP AND IFRS (cont'd)

#### Dividend appropriation

Before July 1, 2003, under PRC GAAP, dividends proposed or declared after the balance sheet date but before the date when the financial statements are authorised for issue are deducted from the undistributed profit and recognise as a liability as at the balance sheet date. Under IFRS, the dividends are recorded in the year in which the dividends are declared.

Effective from July 1, 2003, the accounting treatment of dividends proposed or declared after the balance sheet date but before the date when the financial statements authorised for issue under the PRC GAAP and IFRS are the same.

#### Deferred tax impact

Under PRC GAAP, the Group provides for taxation on the basis of the results for the year as adjusted for items which are not assessable or deductible for income tax expenses. No deferred taxation was provided.

Under IFRS, deferred taxation is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

# Reversal of amortisation/(write-off) of deferred renovation expenses

Under PRC GAAP, the Group recorded certain renovation expenses as deferred assets, which are subject to annual amortisation.

Under IFRS, such renovation expenses were directly charged to the consolidated income statement as incurred.

# Difference in depreciation charges on fixed assets resulting from reclassification

Under PRC GAAP, the Group provides additional depreciation charges on certain fixed assets retrospectively resulting from reclassifying the aforesaid fixed assets to appropriate categories which depreciated at a higher rate.

Under IFRS, such reclassification is a change in accounting estimate. Accordingly, the depreciation charges on those fixed assets should be adjusted prospectively and no adjustment in prior years is required.

# Recognition of government grants by deducting the carrying value of fixed assets

Under PRC GAAP, government grants as a subsidy to construct certain buildings are credited to reserve account:

Under IFRS, such government grants are deducted against the carrying amount of the aforesaid buildings. The grants are recognised as income over the life the depreciable asset by way of a reduced depreciation charge.

# SUPPLEMENTAL FINANCIAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

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# CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN IFRS AND US GAAP

	Consolidated profit		Alexandra de la composición del composición de la composición del composición de la
	attributable to		
	shareholders for the year	Consolidated	net assets
	ended December 31,	as of December 31,	
	<b>2003</b> 2002	2003	2002
The state of the s	RMB'000 RMB'000	-RMB'000	RMB'000
	All and a second	**	V 38
			1
Under IFRS	<b>511,762</b> 557,083	10,322,358	10,244,151
Impact of US GAAP adjustments			
그는 현실하다 그 무역사 海難하면 하는 사람들이 하는 사람들이 가는 사람들이 되었다. 나를 하는			
Reversal of the revaluation surplus		(1,492,185)	(1,492,185)
on fixed assets		(1,492,103)	(1,302,100)
Reversal of additional depreciation			
charges arising from the revaluation			
surplus on fixed assets	<b>38,548</b> 48,422	369,432	330,884
[조사회기 : 프레틴 기계기 대중의대학 : : : : : : : : : : : : : : : : : : :		223,828	223,828
Deferred tax assets created	(5,782) (7,263)	(55,415)	(49,633)
Effect of US GAAP adjustment on taxation	(5,782) (1,263)	(33,440)	
			in i jarantus
Under US GAAP	544,528 598,242	9,368,018	9,257,045
150 150 180 1 180 1 1 1 1 1 1 1 1 1 1 1 1 1 1	WALL TAKEN OF THE STREET		Zilina"

The consolidated financial statements of the Company and its subsidiaries prepared under IFRS differ in certain respects from those prepared under Generally Accepted Accounting Principles in United States of America ("US GAAP"). A major difference between IFRS and US GAAP, which has a significant effect on consolidated profit attributable to shareholders and consolidated net assets, is set out below:

#### Revaluation of fixed assets

The Group revalued their fixed assets on March 6, 1996. The revaluation surplus of fixed assets amounting to approximately RMB1,492,185,000 was recorded by the Group on that date. The revaluation as of September 30, 2002 did not result in a material difference from the carrying amounts and no revaluation surplus or deficit was recorded for the year ended December 31, 2002 and 2003.

Under IFRS, revaluation of fixed assets is permitted and depreciation is based on the revalued amount. Additional depreciation arising from the revaluation surplus was approximately RMB38,548,000 for the year ended December 31, 2003 (2002: approximately RMB48,422,000).

# SUPPLEMENTAL FINANCIAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

CONSOLIDATED PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND CONSOLIDATED NET ASSETS RECONCILIATION BETWEEN IFRS AND US GAAP (cont.'d)

Revaluation of fixed assets (cont'd).

Under US GAAP, fixed assets are required to be stated at original cost. Hence, no additional depreciation from revaluation will be recognised under US GAAP. However, a deferred tax asset related to the revaluation surplus amounting to approximately RMB223,828,000 was created under US GAAP with a corresponding increase in equity since the revaluation resulted in a higher tax base which will be realised through additional depreciation for PRC tax purposes.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), Statement of Financial Accounting Standards No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("SFAS 150") and FASB Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46").

SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No.133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is effective for contracts entered into or modified after 30 June, 2003. The Company considered the effects of adoption SFAS 149 and do not expect any material impact on the financial statements.

SFAS 150 established standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that and issuer classify a financial instrument that is within its scope as liability (or an asset in some circumstances). Many of those instruments were previously, classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No.6, Elements of Financial Statements. The remaining provisions of this Statement are consistent with the Board's proposal to revise that definition to encompass certain obligations that a reporting entity can or must settle by issuing its own equity shares, depending on the nature of the relationship established between the holder and the issuer. In addition, SFAS 150 concludes the first phase of the Board's redeliberations of the Exposure Draft, Accounting for Financial Instruments with Characteristics of Liability, Equity, or Both, SFAS 150 is effective for financial instruments entered into or modified after 31 May, 2003, and otherwise is effective at the beginning of the first interim period beginning after 15 June, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The Company considered the effect of adoption SFAS 150 and do not expect any material impact on the financial statements.

Guangshen Railway Company Limited

# SUPPLEMENTAL FINANCIAL INFORMATION FOR NORTH AMERICAN SHAREHOLDERS

# RECENTLY ISSUED ACCOUNTING STANDARDS (cont'd)

FIN 46 provides guidance on the identification of and financial reporting for entities over which controls is achieved through means other than voting rights. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. FIN 46 applies immediately to variable interest entities created after 31 January, 2003, and to variable interest entities in which an enterprise obtains an interest after the date. It applies in the first fiscal year or interim period beginning after 15 June, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before 1 February, 2003. The Company considered the effects of adoption FIN 46 and do not expect any material impact on the financial statements.